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This Report

An increasing number of OECD countries are developing and using internal consultancy services in government to implement management reforms, to improve the management of their organisations, and to change their organisational cultures from a concentration on inputs and rules to a focus on outputs and outcomes.

In many countries, traditional methods of management development are gradually being replaced by approaches based on consultancy. This reflects a concern to clarify organisational objectives and to link the development of individual managers and organisational change as mutually reinforcing processes. The extent to which internal consultancy units can facilitate reform is demonstrated by experiences in many OECD countries.

This Occasional Paper brings together the experience of practitioners and their expert advice to governments wishing to establish internal consultancy services or to change existing services. It outlines the challenges and demands of public sector reform; summarises the evolution and use of internal consultancy services as one of the mechanisms to help advance the reform process; and discusses the key issues to be addressed so that internal consultancy units can "do the right things", and "do them the right way".

The report was prepared on behalf of the OECD’s Public Management Committee by Jim Armstrong, (then) Director-General, Government Consulting Group, Consulting and Audit Canada, and John Russell of the Public Management Service, OECD. It is based on information supplied by a panel of national experts. The panel was chaired by Jim Armstrong. The report benefited from comments by panel members and discussion by all Member countries at a meeting on Management Development and Civil Service Reform held at the OECD on 21-22 April 1992. However, the views expressed here do not commit or necessarily correspond to those of the national authorities concerned. The report is published on the responsibility of the Secretary General.

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INTRODUCTION

While it is becoming something of a cliché, it is true, nonetheless, that the pressure for change and administrative reform in public sectors around the world has never been greater. It is being fuelled by increasingly severe expenditure restraints, rapid and far-reaching technological developments, and growing demands from the public for more and better service from leaner, more productive bureaucracies. The managers of government departments and state agencies are having to abandon their traditional attachment to rules and established procedures and adopt more flexible approaches designed to improve the service they give to their clients. The bureaucratic command-and-control model of public administration is giving way to a more decentralised structure that puts greater decision-making responsibility in the hands of line managers.

Faced with the need to review their organisations and working methods and to change the cultures of their organisations from a concentration on inputs and rules to outputs and outcomes, public sector managers are increasingly seeking the advice and support of detached experts who can take a more objective view because they do not have day-to-day operational responsibility and have not inherited (nor been imbued with) a traditional way of doing things. That need has given rise to the creation of management consultancy units within the public service which provide advice and assistance from a broad perspective. Public sector managers are increasingly making use of these internal consultancy services to help them to respond to the challenges of public sector reform.

The extent to which in-house consultancy units can facilitate reform is demonstrated by experiences in many OECD countries. Governments have been encouraged to establish new internal consulting groups or to expand their traditional training and development operations or audit organisations to incorporate internal consultancy services.

Traditionally, formal training of individuals has been of central importance in ensuring that administrative reforms are implemented effectively. However, many countries are reducing their reliance on such formal training and are turning increasingly to in-house management consultancy to meet the development needs of both individuals and organisations. Similarly, the role of audit and inspection groups is changing because of the reduction in detailed centralised controls that is a key element of administrative reform. Many audit/inspection groups are moving beyond traditional compliance and probity work and are undertaking more comprehensive evaluations in which they act more like consultants.

The development of internal consultancy in the public sector is being driven by the need to:

- improve effectiveness;
- accommodate budget cuts;
- increase public sector efficiency and productivity;
- develop adaptive public sector organisations capable of serving the changing needs and expectations of their clients;
- foster an increased learning capacity in the organisation;
- mobilise the latent energy of sometimes unresponsive public sector organisations; and
- ensure the degree of employee involvement, participation, and commitment necessary for successful reform.

Recognising the scope and importance of these changes, the Public Management Committee of the OECD established a panel of national experts on Managing an Internal Consultancy Service in Government, which met in Paris on June 24 and 25, 1991. Fourteen countries elected to participate in the panel: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, the Netherlands, Spain, Sweden, the United Kingdom, and the United States. The panel was chaired by the Director-General of Canada's Government Consulting Group, (part of Consulting and Audit Canada). The aim was to enable participants to identify and report on key issues and strategies so as to help OECD Member countries make informed assessments of the most suitable approaches for their public sectors should they want to establish or improve internal consultancy services. Prior to the meeting, each representative produced a report on the strategies, structure and working arrangements of the internal consultancy unit(s) in its public service.

The organisations represented on the Panel ranged from small, embryonic consultancies to large, sophisticated units operating on full revenue dependency. The origins of many of them are rooted in functions other than traditional management consulting. Several began as organisations with an audit, inspection or control role (Belgium, Denmark, Spain, the United Kingdom and the United States); others (Australia, Ireland and the Netherlands) developed from the training side of human resource management organisations, while another group (Austria, Finland and France) developed with the explicit purpose of managerial improvement as distinct from control or training. The remaining two organisations represented (Canada and Sweden) developed from a combination of organisations. The Swedish organisation started with two separate groups, one involved with training, the other with audit. The Canadian organisation was formed by combining two formerly separate public sector audit and management consulting groups.

This report comprises a general discussion of the trends and issues and suggests some good practice. It includes summaries of the country reports provided to the Panel by the national experts. It is intended as a guide for anyone in the public sector responsible for managing reform and interested in the use of internal consulting as a key reform tool.

The report is presented in four parts:

**Executive Summary** -- brings together the advice of panellists to governments wishing to establish their own internal consultancy service. Their evidence shows that while no single prescription exists, there is much useful experience on which to build.

**The Emergence of Internal Consultancy** -- outlines the challenges and demands of public sector reform, and summarises the evolution and use of internal consulting services as a mechanism to help advance the reform process.
Strategic and Operational Management of Internal Consultancy Units -- discusses the key issues to be addressed so that internal consultancy groups can "do the right things" and "do them the right way". It defines strategic issues, such as setting objectives, as well as operational issues, such as managing relationships and partnerships.

Country Reports -- comprises summaries of the national reports submitted by the 14 OECD countries constituting the Panel on Managing an Internal Consultancy Service in Government.
EXECUTIVE SUMMARY

The demands for change facing the public sectors of all OECD countries, coupled with the reform and modernisation initiatives undertaken in response to those demands, are creating significant new challenges for public sector management, which is shifting from its traditional preoccupation with rules and established procedures to a greater concern for people and service. As the traditional bureaucratic command and control model of public administration is replaced by more flexible, decentralised and service-driven arrangements, public service managers are having to assume greater decision-making responsibility. Hence, they are having to think strategically, in terms of broad objectives that transcend traditional functional boundaries. They are having to become more service oriented, yet remain fair and consistent in their dealings with the public. In addition, they have to be innovative, while still being accountable for the prudent use of public funds.

If public service managers are to deal successfully with these complex challenges, they must have access to extensive advice, support and assistance. It could be argued that such support is essential to the success of the administrative reform movement. It can come from many sources, including central administrative policy units, functional groups (in areas such as human resources, financial management and information technology), audit and inspection units, training and development organisations, and other managers facing similar problems.

Consultancy services are a vital element in this support network. Consultants are well placed to offer the expert advice and assistance demanded by the strategic and cross functional perspectives of the administrative reform movement. Their expertise and knowledge of the change process can greatly increase the probability of implementing reforms successfully. By working in partnership with clients, consultants can readily tailor their support to meet the specific needs of client organisations.

Both the public and private sectors have a role to play in providing consultancy services that support administrative reform. The private sector offers fresh perspectives and technical expertise, and is well placed to provide objective and disinterested advice and assistance. On the other hand, consultancy units within the public sector have the benefit of detailed knowledge and familiarity with the public sector’s organisational culture and its methods of operation. Hence clients can count on internal consultancy groups for recommendations that are feasible and workable, as well as for effective support in implementing them. Moreover, internal consultancy groups can help integrate the support that managers receive from other sources and can help promote the sharing of experience that is necessary to move the reform movement forward.

A Move to Consultancy

In recognition of the potential value of internal consultancy to administrative reform, an increasing number of OECD governments have shown great interest in developing these services in their public sectors. In many cases, the traditional methods of management development are gradually being replaced by approaches based on consultancy. Training and development groups have expanded their roles beyond information dissemination and skills enhancement to helping
managers think strategically, clarify their visions of their organisations, set realistic goals, devise workable action plans, communicate more openly, manage the change process more effectively, foster a "learning capacity" within their organisations and generally become more confident in their ability to carry out management responsibilities effectively.

The consultative approach recognises that there is no "one best way" to manage effectively. It supports managers in determining their own routes to effective management, routes which respond to the particular requirements of their organisations. Rather than seek ready-made solutions, consultants should work in close co-operation with their clients and help them find their own answers. Co-operation, problem-solving and practical solutions are the leitmotifs of consultancy work.

Management development is not the only function that has moved in the direction of consultancy. Audit and inspection activities also are beginning to adopt a more consultative approach, recognising the fact that collaboration is more effective than confrontation in bringing about desired changes.

In addition, new special-purpose internal consultancy units are being created at the centre of public administrations specifically to support organisational reform. Moreover, those units which existed prior to the current reform movement, are adapting their services to meet the new demands of administrative reform.

**Key Requirements**

For the establishment of new internal consultancy units and the adaptation of existing ones, several key requirements have to be met.

*Firstly*, any internal consultancy unit must have both a clear mandate and a clear understanding of what it is to achieve, if it is to have a sense of mission.

*Secondly*, since internal consultancy units operate in a politicised environment, both their mandate and mission must be supported at the political level and by key players in the public service. Given that it is unrealistic to expect that such support will be universal, it is important also that these units know the identity and motivation of their supporters and opponents. By extension, these units should be led by people who understand the political environment and can correctly identify the roles and tasks that are critical to the organisation's success.

*Thirdly*, consultancy units must have business strategies that clearly spell out how their missions are to be fulfilled, in terms of clients to be served and services to be provided. In devising their business strategies, units should avoid attempts to be "all things to all people" and should focus their efforts on a few key areas. Moreover, both their missions and strategies must be consistent with their positions in the overall public service and be aligned with the goals and expectations of their parent organisations. The individual mission and strategy of any unit depends to some degree on whether the parent organisation is a central agency, a training and development group, an audit or inspection unit or a common service department.

*Fourthly*, internal consultancy units must have sufficient autonomy to enable them to develop a distinct professional culture in order to serve their clients independently, impartially and
objectively. Autonomy may be easier to secure when units can define 'success' in measurable terms, since that enables them to negotiate management contracts which allow them a degree of operational flexibility while holding them accountable for specified levels of performance. Autonomy must also involve a clear separation between consultancy services and control functions; to be effective, consultancy services must inspire client confidence and be offered on an optional and confidential basis.

Size and Structure

The appropriate size for an internal consultancy unit is a function of the detailed circumstances surrounding each unit. However, new units are generally well advised to start small and to build up gradually. As far as the internal organisation of consultancy units is concerned it should be flexible and adaptable so that units can respond quickly to changing circumstances. Matrix structures are particularly suitable for units engaged in work of an innovative nature or in projects requiring large teams of consultants.

Fees

Charging fees for internal consultancy services is a potentially good way of ensuring autonomy, and it also provides one convenient measure of performance. In addition, charging for services can help provide greater operational flexibility, encourage cost control, motivate staff and help ration the demand for services. But it may also create additional administrative costs, restrict access to services and constrain available strategic options for these units. There is certainly considerable merit in charging fees, but it might be best to shift to a fee basis progressively, and possibly aim to strike an appropriate balance between charging and not charging for services.

Partnerships

Internal consultancy units operate more effectively when they form partnerships with other organisations. Potential partners include other internal consultancy units, training and development groups (particularly to ensure proper coordination of staff and organisational development), functional support groups, audit and inspection groups (for sharing non-confidential information), and private sector consulting firms through contracting out and setting up joint ventures for specific projects, for example. Internal consultancy units can learn from these organisations and vice versa. Partnerships also help ensure the right mix of support to meet the particular needs of individual clients. Last, but not least, clients themselves should be viewed as partners, particularly in organisational development work.

Projects

It is important for internal consultancy units to choose their projects carefully. Projects must be consistent not only with the strategy of the unit but also with government priorities. Moreover, they must have a potentially significant impact on operations and have a good likelihood of success. The potential for success of any project depends on such factors as the existence of a crisis or strong stimulus for change, the degree of commitment from the top to the
change process, and a widely shared vision within the organisation as to where it should be going. The careful selection of projects is especially important in the early stages of the development of consultancy units, as they seek to establish their reputations. Early demonstrable successes are needed to build credibility in the eyes of potential clients.

Quality

The overall effectiveness of internal consultancy units also depends on the quality of their service. This requires units to determine client expectations at the outset and maintain open communication at all times, so as to avoid misunderstandings. In addition, the "rules of the game" and the nature and extent of the services provided must be clearly spelled out in formal agreements. Units might be advised to adopt a formal Code of Ethics and Professional Conduct that emphasises key values such as transparency, confidentiality and neutrality. Codes of this kind are useful in communicating values to clients, staff and other stakeholders. Furthermore, regular evaluation of service performance is a vital element in maintaining quality, since it enables units to determine whether clients' expectations are being met and, where they are not, helps to identify appropriate corrective action.

Solutions

Consultancy units should seek pragmatic and practical solutions that are sensitive to the realities of the public service, and avoid in particular the dangers inherent in the blind application of private sector solutions to public sector problems. Successful solutions are built both on the strong points of the client organisation and on what is known to have worked elsewhere in similar circumstances. There is a need to take time to complete projects properly rather than go for the "quick fix". There is also a need for units to arrive at solutions openly and flexibly, without hiding behind expertise, position or jargon.

People

The most valuable assets of any internal consultancy unit are its people and its intellectual property, so due consideration should be given to key tasks such as recruiting, developing and supporting staff and managing information. Ideally, staff should be recruited both from among those with a number of years' practical experience in the public service and from among others, often in the private sector, who have the specialised expertise needed to respond to current problems and issues; the actual mix depends on the business strategy of the unit. All units require people who possess good relational, inter-personal and communications skills and whose attitudes and values are consistent with those of the unit.

Development

Continuous training and skills development are vital to maintaining the viability of internal consultancy units. Such training and development can take many forms, including traditional instruction, exchanges of personnel and knowledge with other groups (including private sector consulting firms), and the internal transfer of knowledge and experience through mentorship.
schemes and internal seminars. Units should develop a "learning culture" that encourages continual upgrading of technical, consulting process, change management, communication and leadership skills, as well as regular updating of information on the public sector environment and the issues it faces. In this way, consultancy units ensure that their consultants maintain the professional skills and knowledge they need to support their clients effectively.

Consulting projects also often provide useful developmental or "action learning" opportunities for client managers. In many cases, the cause of administrative reform may be served by focusing as much on the individual as on the problem. Efforts can be made in consulting assignments to expand a client's capacity to think strategically and manage the change process effectively. Clients can also be educated to make more effective use of consultancy and other support services.

Management Style

Management style also contributes in important ways to the effectiveness of internal consultancy units and the quality of their work. The creativity and innovation that are essential to successful consulting can flourish only under a management régime that is empowering and supportive. Managers must concentrate on bringing the right people into the unit, on developing their potential as consultants and on providing them with the right tools and working environment to realise that potential.

Information

Finally, given the vital importance of information as the primary working tool of consultancy, units must obtain the information they require to work effectively from all available sources. However, units should not accept information without question, but should be prepared to adapt information to the circumstances faced by their clients. It is also important for internal consultancy units to develop their "corporate" memories in order to learn systematically from their experience and build their knowledge bases. Many units have developed the ability to explore specific issues of concern to their clients both systematically and comprehensively.

Consensus

Generally speaking, there ... remarkable consensus as to the most promising approaches to supporting administrative reform. In tandem with the trends towards economic and technological globalisation, there is a widespread shift away from the bureaucratic traditions of control and authority and the pronouncements of experts towards a much more participative approach to administrative reform. If it is managed along the lines suggested in this report, the consultancy-based approach has the potential to secure real improvements in public administration to the benefit of society at large.
Public sector reform

The causes and direction of public sector reform

The intensity of the demands for fundamental and far-reaching reforms of public administrations around the world can hardly be exaggerated. The forces fuelling these reforms are many and various: technological breakthroughs, instantaneous communication, assaults by citizens on the perceived proliferation of government programmes, services and bureaucracy, reduced public sector resources and deteriorating service standards. For all organisations, public and private alike, there is no doubt that the traditional "command-and-control" management style and rigid hierarchical organisational structures are destined to disappear.

As pointed out in the OECD Occasional Paper, Serving the Economy Better:

A common feature [of public sector reform] is to introduce a more contractual, participative, discretionary style of relationship between levels of hierarchy, between control agencies and operating units and between producing units. This contrasts with the traditional style of regulating administrative action by rules and hierarchical authority. (OECD, 1991, p. 11)

As private sector corporations have restructured and rationalised their organisations and refocused their efforts, there has been a growing belief that the public sector should do likewise. This has resulted in various initiatives, ranging from outright privatisation under various contractual arrangements to the establishment of government agencies which operate more like private sector companies.

The efforts of many governments to downsize, privatise and rationalise functions so as to reduce budgets and streamline operations have been coupled with other attempts to emulate the private sector, such as emphasising service to the public and improving service delivery while keeping funding at or below existing levels. However, the experience gained from these initiatives has shown that there are key differences between the public and the private sectors to be taken into account when planning reforms.

Many observers have argued that traditional government management is much more focused on the constraints under which it must operate than the private sector is, and pays less attention to the tasks it must perform. James Q. Wilson identifies three key constraints:

To a much greater extent than is true of private bureaucracies, government agencies (1) cannot lawfully retain and devote to the private benefit of their members the earnings of the organisation, (2) cannot allocate the factors of production in accordance with the preferences of the organisation's administrators, and (3) must serve goals not of the organisation's own choosing. As a result, government management tends to be driven by the constraints of the organisation, not the tasks of the organisation. To say the same thing in other words, whereas business management focuses on the "bottom line" (that is, profits), government management focuses on the "top line" (that is, constraints). (Wilson, 1989, p. 115)
Nonetheless, the public sector plays a vital role in the economy and hence must become more cost-effective and more managerial. Public administration and public sector management must also become more responsive.

As the OECD publication *Administration as Service, The Public as Client* puts it:

*The wishes of clients should be able to influence administrative performance. Administration should:*

*Be comprehensible. Clients should know how administration works, what the constraints on administrative action are, how it is controlled, who is responsible for what, and what remedies are available to challenge administrative decisions.*

*Engage the participation of clients in administrative processes: clients often resent being treated as passive recipients of the outputs of administration. They may want to be involved or share responsibility. Administration needs the active involvement of clients for it to be able to perform many of its tasks.*

*Satisfy client needs effectively and fairly within the limits and objectives set by government policy. As far as possible, clients should be offered services which correspond to their particular situations.*

*Be accessible. Clients should be able to have easy access to administration at convenient hours. The administration should communicate with clients in a language which they understand.* (OECD, 1987, p. 131)

More effective and constructive interaction, consultation and co-operation among public servants, interest groups and private enterprise are vital to countries' economic and social success. The growing importance of international issues -- immigration, environment, trade and defence to name but a few -- further increase the complexity of the situation. Not only must public servants and their organisations adapt and change to meet current challenges more effectively, but they must also adapt at a speed unprecedented for public sector bureaucracy.

Since 1987 the OECD has focused great attention on the issues of administrative change and structural adjustment. For example, *Serving the Economy Better* (OECD, 1991, p.5), called for a more cost-effective public service where the main aim of administrative reform ... *should be to improve the performance of the public sector in meeting policy goals at least cost within the framework of democratic accountability.* (OECD, 1991, p.5). It concluded by suggesting that

Although the focus will vary from country to country and, most importantly, from organisation to organisation, the agenda for governments will need to include:

*Greater understanding of where public, private or mixed production can be used and of how the public and private sectors interact;*

*Better ways of measuring performance, and ensuring control and accountability;*

*Improved management and development of human and physical resources of the public sector;*
Adaptation of the decision making and rule-setting processes of government (and the interaction of the legal system);

Better quality of information so that public sectors can learn from each other, exchange experience and compare performance;

An enhanced capacity at the centre of government, to guide the overall evolution of the public sector and harmonise the efforts of the central management agencies. (OECD, 1991, p. 18)

**Difficulties facing public sector reform**

There is universal recognition of the urgent need for reform in the public sector. Certainly, the 14 countries which participated in the Panel were unanimous on that score. But recognising the need for change is not the same as having the means to bring it about. To say that the reform process is and will be difficult is a gross understatement.

One obvious characteristic of bureaucracies is their built-in resistance to change. Most public sectors were designed to achieve efficiency through the imposition of stable and strict controls. The classic, centralised bureaucratic model was characterised by a strict hierarchical structure, formalised processes and clear division of labour, usually specialised along functional lines. This classic model was well suited to the performance of simple, stable and specialised tasks in relatively static environments. It was ideal for fostering uniformity, probity, transparency and neutrality.

The debate taking place today does not suggest that bureaucracies are unnecessary, since they are essential to discharging a wide number of public responsibilities. What is sought is a reform of working methods, and there is a broad consensus about the kind of reform needed -- namely, a redistribution of power and authority to lower levels, decentralisation of decision-making processes and reduced central control.

Many authors have sought to identify the factors which inhibit bureaucratic reform. For example, Plumptre (1988) mentions:

- the need for abundant consultation in the public decision-making process, a factor which dulls initiative and hampers innovation;
- an over-emphasis on attention to detail;
- the required objectivity and neutrality of public servants, something which discourages the type of passionate commitment to programmes so common in successful private sector organisations;
- the multiplicity of goals;
- multiple accountabilities and collective responsibility, elements which make it uncommon for individuals to be acclaimed for producing outstanding results; and
risk avoidance.

The bureaucratic inertia which so stifles reform can only be overcome through significant commitment and effort at all levels, and through the consistent application of reform strategies across the entire public sector. That not only takes time, but also involves the concerted efforts of many players.

Key actors in the reform movement

Successful reform of the public sector requires a complex system of co-ordinated efforts by a number of key actors. Strong political leadership is vital and may be supported, as in Belgium, by a ministry responsible for public sector reform. Moreover, within the public administration there may be several agencies committed in full, or in part, to the reform effort.

The Canadian government is typical of many public administrations, having established the following agencies:

the Public Service 2000 Secretariat, which reports to the Clerk of the Privy Council (Canada’s highest public service officer) and is responsible for overall reform;

the Canadian Centre for Management Development, which reports to a Board chaired by the Clerk of the Privy Council and has a clear mandate as an agent for change since it is responsible for the development of the senior management cadre of the public service;

the Office of the Auditor General of Canada, which is responsible to the Canadian Parliament and reports on the effectiveness and efficiency of government;

the Office of the Comptroller General, which has overall responsibility for public service programme evaluation in addition to typical comptroller functions;

Consulting and Audit Canada, a Special Operating Agency, which offers a full range of audit and management consulting services solely to public sector clients, on an optional, full cost-recovery basis;

a number of other central agencies (e.g., the Treasury Board Secretariat, Public Service Commission, and Training and Development Canada), all of which share in the policy development or implementation of reform initiatives, training, and administrative and managerial improvements; and

numerous departments and agencies, each of which typically has a suitable capacity in such areas as evaluation, audit, training and internal consulting.

This complex of responsibilities is by no means atypical, since public sector reform usually involves complex systems of related functions.
Approaches to implementing reform

The reform of public administration entails a conjunction of top-down and bottom-up elements -- a combination of edict and empowerment. Given the traditional culture of public administration, no change will take place without some specific direction and guidance from the top. However, true reform (involving changes in attitudes, behaviour and values) cannot be achieved by edict alone. That kind of approach typically triggers a bureaucratic defence in which one set of rules is simply replaced by another, without any meaningful change. More radical reform requires the active participation and involvement of managers in helping to chart the course ahead, which means leaving them to their own devices to introduce reforms. However, even the most creative, willing and enthusiastic people can find the change process onerous. For reasons of attitude, available time, expertise and experience, the changes sought may not come about.

For that reason, public sector managers may look to experienced and knowledgeable third parties for help in the reform process. There are a variety of roles that third parties can play: advisory, diagnostic, monitoring, evaluative and developmental. While management consulting has focused traditionally on the advisory role, it is increasingly involved in developmental work with managers, other employees and groups. In that developmental role, consultants become animators working to involve managers and employees in the process of planning and implementing change.

Internal consultancy

Progress in reform and the role of internal consultancy

It is clear that much of the literature about reform has focused on what has to be done rather than on how to do it. For example, a great deal of attention has been paid to the areas most in need of improvement -- service levels, procurement, financial management, information management and human resource management. In contrast, less has been said about the techniques, mechanisms and methods of change.

The Panel was important if for no other reason than its members focused precisely on the process, or "how", of reform. Each member was employed in an organisation whose principal goal is to further administrative improvement or reform by offering various consulting services to its own government departments and other state agencies. Although their services range from the management of change to problem-solving, analysis and recommendations for administrative improvements, all these organisations are engaged in some form of internal consulting.

Panel members reported on the main areas and types of reform under way in their countries and on the roles played by their main reform bodies and internal consultancy services. They all indicated that they were either already well advanced in the introduction of reforms or clearly mandated to assist in bringing about changes.

To date, the experiences of OECD countries with their reform efforts enables a number of important conclusions to be drawn about the role of internal consultancy in the public sector reform process. Firstly, the definition of internal consultancy needs to be broad enough to encompass any voluntarily sought third-party advice, analysis, evaluation, monitoring or inspection that will help public sector managers improve policy management and administration and advance
the reform process. On that basis, four main types of consulting can be identified: strategic advice, management and organisational development, system and process improvements, and measurement or inspection. Most consultancy units assist with the "how" rather than with the "what", with "implementation" rather than "direction setting" which, in most cases, comes from the political level.

Secondly, each of the four types of consulting is considered equally important. An example of the strategic level is the Next Steps Team in the United Kingdom, which guides and facilitates overall reform through major policy initiatives, such as the establishment of Executive Agencies. The PS 2000 Secretariat in Canada has similar responsibilities, as do organisations in Austria, France and Spain. These high-level bodies set the broad strategic direction for the reform process, or are responsible for overall reform. Some consultancy units deal principally with management and organisational development, and may have developed from the training side of human resource management organisations. Others offer a broader range of services that encompass systems and process improvements as well as organisational development. Their principal mandates are to improve administrative and managerial practices, and they undertake projects such as upgrading information systems, team building, developing financial management systems and assisting with organisational problems. The General Accounting Office in the United States exemplifies the fourth type of consulting, often referred to as "inspection" work. This entails audit, evaluation, monitoring, measurement and diagnosis, and usually leads to recommendations for improving work methods and organisation.

Not surprisingly, there are often overlaps in these areas of internal consulting. But one underlying common denominator is that lasting reform necessitates changes in attitudes and the introduction of new administrative and managerial systems. The importance of inspection work is well expressed by the comment "People respect what you inspect." It is reasonably certain that if management does not evaluate, monitor or in some other way attempt to "measure" a function or activity, staff will conclude that management is not serious about it.

**Advantages of an internal consultancy service**

When looking to a third party for help in the reform process, managers can either go outside the public service or call on internal expertise, since in most countries managers are free to use private sector consultants even where there is an in-house consultancy unit. But there are a number of advantages to using internal experts. The most obvious one is their familiarity with the organisational culture, values, policies, practices and procedures of the public service, which means they are more likely to make recommendations and proposals that are feasible and that their suggestions may be more readily accepted than those from an outside consultant whose perspective may reflect a different organisational culture. Moreover, with no need to ascend an often long and steep "learning curve", internal consultants can work faster, more efficiently and more effectively, and can enable the public sector to develop new skills and methods in individual assignments which can then be transferred across the public service as a whole, thereby maximising the application of consultant experience, establishing a unique "corporate" memory and increasing learning capacity.

These advantages are not always obvious, however, to the potential clients of internal consultants. There is a pervasive perception that external consultants have greater skills, knowledge and abilities and thus much higher credibility than internal consultants. This credibility
issue needs to be taken into account in regard to internal consultancy units. These units need to ensure that their skills and knowledge are relevant, polished and up-to-date. Marketing is an important issue; potential clients need to be made aware of the existence of internal consultancy units, of their capabilities and track record, and of the advantages they hold, as outlined above, over external consultants.

Notwithstanding these issues, there are also compelling arguments for the use of private sector consultants, in view of their potential for greater detachment and objectivity. Many public consultancy services have furthered the cause of administrative reform by developing partnerships of varying types with private firms and the academic world. Equally, some countries have drawn on the private sector's experience to supplement the range of skills available in-house.

**New demands on internal consultancy units**

Although most internal consultancy units in OECD countries were created relatively recently, several predate the current wave of public sector reform. These older services previously provided mainly technical and operational support to the traditional administrative hierarchy. Their strength lay in their sound knowledge and experience of the traditions of public service and in their possession of the essential skills and operational expertise needed to solve the immediate problems of management. Public service managers relied on these groups to provide optional, objective and confidential advice.

Administrative reform initiatives have changed the situation dramatically. To be effective, internal consulting units can no longer rely solely on established methodologies and past experience; they must develop a continuing capacity to learn and must attach greater importance to training, research and the development of new approaches. Furthermore, more of their work requires a team approach and complementary skills, especially for major organisational reform projects.

In France, internal consultants now find themselves co-ordinating a whole network. So-called "innovator clubs" are being created locally in regional and departmental authorities. They consist of local reform activists, who act like in-house consultants, and they are encouraged to exchange experience and professional practice through bilateral contacts.

In Canada, the Government Consulting Group recently modified its traditional emphasis on individual expertise by creating a number of small, relatively autonomous units that focus on particular service needs and issues relevant to its public service clients. This approach facilitates research and expertise development in critical issue areas, promotes the use of a multi-functional team approach to meet clients' needs and fosters innovation through the development of a consistent and collective focus on key issues.

The increased ambiguity now apparent in public service issues, and managers' uncertainty about how best to deal with them, may augment the need for internal consultancy units to diagnose problems and support decision-making. Although consultants may continue to supply functional, specialised assistance, they are likely to face a growing demand for more generalist consultancy services that go beyond the confines of any one functional perspective. That calls for an intimate knowledge of the existing culture, the constraints that culture imposes on behaviour and options for action, and the relative feasibility of potential improvements. More than any other
factor, it is the need for a pragmatic, impartial approach to administrative reform that will encourage the creation and shape the development of internal consultancy in government.

**Consultancy and management development**

The new public sector environment, with its present tendency to cross-functional and strategic thinking, is moving management development out of the classroom and into the manager's own organisation. Increasingly the focus is on altering behaviour and developing the capability to manage in an environment of continual change. A key component of the consultancy approach to training and development is "action learning", which recognises the interdependence of individual and organisational development. In the words of R. W. Revans:

... one cannot change the system of which one is in command (at least in any new sense) unless one is oneself also changed in the process, since the logical structure of both changes are in correspondence. The change in the systems we call action; that in the self we call learning, so that learning to act effectively is also learning to learn effectively. (Revans, 1980, p. 277)

Revans also states:

Knowledge that has been acquired is exhibited in what has been done with it; that is why it is called action learning ... If I want to help a manager know something, that is, do something better, I try to help him find out what he is doing now and get him to improve upon it. (Revans, 1980, p. 252)

Recognising the need to adopt an action learning approach to development, a number of former training and development organisations in OECD countries switched formally to consultancy to improve their effectiveness. In making that transition, they found that although similar subject-matter expertise may be required both for traditional course-based development and for consultancy work, the process skill requirements of the two approaches differ considerably. Pedagogical skills are critical to traditional instruction, while in consultancy and action learning it is listening skills that are of greatest importance, because that is the only way to gain a detailed appreciation of the realities of a manager's situation.

This approach to management development was adopted by Ireland's Civil Service Training Centre after it was called in by the newly-appointed chief executive of a government organisation to arrange training aimed at giving his managers a more "managerial" focus. Following discussion of the aims and objectives of the organisation and the issues it was facing, it was decided to stage an off-site action learning event, focused on team building, group work, expert input and open discussion. The training professionals brought along their knowledge of organisational and management theories, but did not pretend to have all the answers. The event led to a mission statement and a new understanding of corporate objectives. Managers drew up contracts with one another, outlining how they would help each other achieve their objectives. The process enabled problems and misunderstandings to be aired and resolved which could have remained buried had individual objectives been set in isolation. The results convinced management of the efficacy of this approach to management development.
While action learning offers promising results in today’s environment, development groups are unlikely to abandon their traditional course-based methods entirely. Those with activities that span both traditional development and consulting activities offer services ranging from training courses of various kinds (including tailor-made ones for particular organisations) to generalised consulting operations aimed at changing organisations and individuals and specialised consulting for resolving specific problems. A key objective is to ensure that consultancy alternatives are mutually reinforcing. At the same time, there is a need to link development explicitly to organisational objectives and strategies.

This strategic approach to development calls for preliminary studies to determine the training and development needs to be met for the organisation to attain its objectives. Action learning events are then devised, which may include specific organisational development projects and tailored courses. In Finland, for instance, the consultancy unit provides its clients with instruction in a range of methodology tools geared to their specific needs, and the clients then use the tools to solve their own problems.

Consultancy and audit/inspection

Government audit and inspection groups are also beginning to adopt a management consultancy approach for much of their work. In monitoring the implementation of administrative reforms, for example, audits and inspections have become broader in scope, focusing on entire organisations, on how well they function and how well they are managed. Clearly, it is only a short step to diagnostic consulting from such comprehensive review work. The main difference is that diagnostic consulting is carried out at the request of the client, while audit work is usually carried out on behalf of an outside agent responsible for controlling the overall performance of the organisation concerned. For example, the General Accounting Office in the United States has started carrying out comprehensive reviews of entire agencies that, far from being narrow technical studies, include an assessment of overall management activities. In addition to audit experts, review teams include insiders who understand the culture of the organisation being studied. A major objective of these reviews is to impress on agency leaders the need to improve their management structures. The aim is to focus attention on the importance of effective management, and not just on the policy initiatives that the agency may want to pursue.

In some countries, such as the United Kingdom, reductions in detailed central controls mean that some audit groups no longer confine themselves to monitoring adherence to the rules but act more like consultants in making recommendations for remedial action. This development has generated some controversy in the audit community. Some feel that it is not the responsibility of auditors to make such recommendations, let alone help implement them. They fear that, by becoming part of the solution, they will undermine their ability to provide objective assessments in future. However, others point out that making specific recommendations and becoming part of the solution increase the credibility of an audit in the eyes of those being audited and consequently are much more likely to bring about needed improvements than the traditional role of simply pointing out the shortcomings of an organisation.

Some internal consultancy units, such as the Belgium and Spanish ones, moved into consultancy from an audit, inspection or control function. Transforming a control or audit group into a consultancy unit is likely to create problems in gaining client trust, at least in the short term, and can be hindered by its previous organisational traditions and culture. It is not easy to abandon
a quasi-judicial mentality, which emphasises doing things "by the book", and switch to thinking in terms of seeking innovative solutions. The Spanish organisation moved into consultancy work in 1985, and it took four years to overcome the resistance of government agencies. But there is now a better understanding of the difference between control work and consultancy work.

**Changing roles and operations**

Administrative reform, driven as it often is by a combination of top-down and bottom-up initiatives, has a variable impact on the role of internal consultancy groups, depending on the priorities that dominate the reform process. If reform is driven from the top, internal consultancy groups will be concerned primarily with helping managers implement approved reforms as effectively as possible. The subject matter of consultancy may change, but the way it supports its client base will not. On the other hand, if there is a spirit of experimentation and a willingness to learn through practical experience what does and does not drive reform in specific circumstances, then the role for internal consultancy will expand. With their experience, ideas and capacity for marshalling information, internal consultancy units could become key players in the reform movement.

Internal consultants are well placed to act as information brokers in the search for better ways of doing things. Their constant exposure to the issues, opportunities and challenges facing managers in every part of the public service, combined with their knowledge of the success and failure of many attempts at reform, makes them a leading source of information on administrative reform. In addition, they can take ideas and methods developed for use outside the public service and adapt them to the operational realities of state institutions and their culture. Hence, internal consultancy units can play a key role in collecting, analysing and organising the information needed for reform and in disseminating it through regular consultancy work, seminars and publications.

As a natural extension of that role as information clearing-house, internal consultancy units can also bring people with similar concerns and problems together in small action-learning groups to create the synergy necessary for generating innovative solutions. That is likely to require close collaboration between internal consultancy units and management development groups.

When it comes to implementing reforms, the chances of success are greatly enhanced when the actions of all the different functional groups concerned are properly co-ordinated, although that is not always easy. It requires extensive networking and mutual co-operation between the various groups involved in the reform process. Internal consultancy units can play a key role in establishing and maintaining the networks that are required to link the various administrative functions (including financial management, human resource management, information management, communications, audit/inspection, and training and development). Internal consultants can also help their clients co-ordinate the assistance they receive from private sector consultants.

For an internal consultancy unit to achieve the credibility it needs to play these roles effectively, it must become a model of what it is trying to promote. Units need to adopt a learning culture, based on open communication and a constant search for improvement. That involves building the capacity to learn systematically from past experience and staying in regular...
contact with a network of key individuals and organisations. Moreover, administrative reform requires individualism to take second place to collective effort and mutual support, while traditional bureaucratic control must be replaced by empowerment and participative management.

Like the rest of society, public administrations have entered an era of continuous change. The current impetus towards administrative reform is but one aspect of that process, and public service managers have to be capable of initiating and managing change effectively. To remain relevant, therefore, internal consultancy units must deliver services that help their clients to do just that, as well as to take advantage of opportunities to innovate and improve existing practices.
STRATEGIC & OPERATIONAL MANAGEMENT
OF INTERNAL CONSULTANCY UNITS

Assuming that the decision has already been taken to have an internal consulting capability, either as a stand-alone service, or as part of a unit that performs related functions, such as management development or inspection, the next step is to decide how it should be organised and managed. Given that the objective of senior decision-makers in the public service is to maximise the benefits that accrue to the public service from the presence of a consultancy unit, that objective must be shared by the head of the unit and its staff. They in turn have to adopt an appropriate strategy (do the right things) and an effective operating structure (do things the right way).

The strategy of a consultancy unit is closely linked to its mandate and position within the overall structure of the public service -- in other words, to its institutional affiliation. In turn, the combination of mandate and affiliation have a powerful influence on the unit's objectives, the tasks it regards as critical to its success and the roles it plays in the public service. Other factors, such as its degree of autonomy from its parent organisation, its financing and the rules governing the recruitment of its staff will affect its ability to develop and execute its strategy. Furthermore, a unit's strategy may change with shifts in the priorities of the public service and the needs of its managers. The continuing relevance and success of the unit will depend on its ability to monitor and adjust to such changes.

Choosing an appropriate strategy, while vitally important, is not sufficient to ensure success. The unit must also operate as effectively as possible within the constraints imposed by its environment. That raises a number of key operational issues, such as:

- the management of the unit's relationships with its key interest groups, including its parent organisation, its clients, training and development groups, audit and inspection groups, private sector consulting firms and trade unions;

- the need to match the unit's organisational structure to its strategy and to determine the appropriate degrees of decentralisation and empowerment;

- the development of a culture and a set of values to enable the unit to perform effectively, encompassing the attitudes, behaviour, ethics and professionalism that govern staff relationships, both within the unit and with clients and other outsiders;

- the management of intellectual property, including both the people and information vital to the effectiveness of such knowledge-based organisations; and

- the need to manage in a manner that promotes work of high quality by focusing on the needs of clients and providing effective support for consulting staff.

There is no single "best way" of doing things. There are a variety of possible approaches for resolving these strategic and operational questions.
Strategic issues: Doing the right things

The four key strategic issues that a consultancy unit has to address are:

- setting objectives;
- identifying critical tasks;
- securing the means to perform the critical tasks; and
- maintaining relevance over time.

All these issues must be resolved if the consultancy group is to be sure of doing the right thing in the eyes of its stakeholders, its clients and itself.

Setting objectives

Before an internal consultancy unit can establish an appropriate strategy and develop a coherent set of operating principles to support that strategy, it must have a clear idea of its overall purpose and vocation, expressed in terms of a well-understood set of objectives. Since the objectives of an internal consultancy unit inevitably reflect its mandate and its functional and institutional affiliations, units that are, for example, part of central government organisations responsible for administrative policy within the public service will probably have strategic objectives closely linked to the major government policy initiatives of the day. Indeed, not only are such units often expected to provide strategic advice or make other contributions to the development and achievement of those initiatives, but administrative reform may be their primary preoccupation, and in some cases their raison d'être. Consultancy organisations in countries such as France, Denmark, Austria and Belgium fall into this category. For example, one of the objectives of the Danish organisation is "to bridge the gap between political directives on modernisation of the public sector and individual development projects." Moreover, both the Danish and Belgian organisations have the declared aim of contributing to the development of administrative policies related to modernisation initiatives.

Similarly, internal consultancy units that have grown out of, or are closely associated with, audit or inspection groups are likely to have objectives that reflect that functional affiliation. That is the case of Spain, the United Kingdom and the United States. The principal objective of the Spanish organisation, for instance, is "the planning and execution of annual projects related to the simplification of procedures and administrative work methods and the standardisation and rationalisation of bureaucratic management."

A third group of consultancy units have grown out of, or are part of, organisations responsible for training and human resources development, and hence their objectives tend to emphasise the developmental aspects of consultancy. That is true of organisations in Australia, Finland, Ireland, the Netherlands and Sweden. For example, the main objective of the Dutch organisation, RPD Advies, is "to provide advice on, supervise and implement activities in the fields of personnel selection and management and career development", while in Sweden SIFU has the broader objective of "the development of government organisations and personnel."
Consulting and Audit Canada (CAC) represents a fourth type of consultancy unit -- one that stands alone and has not evolved from other functions. CAC was formed in 1989 by merging two autonomous bodies that both had long histories, one of which was exclusively devoted to consultancy and the other to audit.

**Identifying critical tasks**

Having established its objectives, the unit must next formulate its strategy and determine the tasks that are critical to its success. To do that, it must answer a number of key questions.

What services will it provide? Will those services focus on providing strategic advice, on management and organisational development, on inspection and diagnosis, on general support for infrastructure development, or on routine operations? Will they be broadly based or will they focus on a narrow range of issues? Will they be technically specialised or more general in nature? Will they follow a standardised methodology? Will they include active assistance with the implementation of solutions or recommendations? Finally, will the unit play other roles, in addition to providing consultancy services, to meet its objectives?

On what basis and in what manner will the unit provide those services? Will they be mandatory or optional? Will they be charged for, in whole or in part, or offered free to clients? Will they be delivered exclusively by the unit’s staff or will they be offered in partnership with private sector organisations and/or with staff from the client organisation?

Which clients will the unit serve? Will it focus on the upper reaches of the administrative hierarchy or seek a broader client base? Will it focus on large and influential organisations or concentrate on smaller groups whose needs may be greater? Will it limit its clientele to a single ministry, to the public service as a whole, or to all public sector organisations?

In practice, units will not always be free to select the tasks they want to perform. The amount of discretion that organisations have in the selection of their strategy varies considerably from country to country, reflecting in large part their mandate and functional affiliations. For example, those organisations associated with administrative policy development or inspection functions pursue strategies that are more closely tied to parent organisations, while stand-alone organisations and those associated with training and development functions enjoy a greater degree of discretion. However, there is broad agreement that any strategy must demonstrably support government policy if the organisation is to remain relevant. The Spanish organisation, IGSAP, is representative of the group with limited strategic discretion, formulating its strategy each year in line with the objectives of its parent department. The details are agreed between IGSAP and departmental management, and the department lays down the criteria by which IGSAP’s success is judged. The French, British, Australian and Belgian organisations all operate under similar constraints. The guiding principle of the Australian TDG is to pursue "best practice" and to promote organisations which apply those methods. It tries to select organisational problems where there is scope for translating solutions to other parts of the service. The Finnish, Swedish, Canadian, Dutch and Irish organisations have a greater degree of flexibility in setting their
strategies, but they are still subject to approval and must conform to the general administrative policy of their public services.

Clearly the strategies adopted in different countries reflect not only the differences in their objectives but also the differences in the norms of their parent organisations. For example, units with close links to administrative policy-making focus their strategies on administrative reform. Their critical tasks include generating innovative solutions to the challenges of administrative reform, and helping their clients understand and implement reform programmes. In contrast, units with links to audit and inspection see their key role more in terms of problem diagnosis and the development of recommendations for improvement. Generally, they leave it up to the client to implement recommendations. However, some of these groups consider it part of their responsibility to offer advice and support during the implementation process. Moreover, in keeping with the culture of their parent organisations, they are concerned with the consistent, fair and efficient application of their work and have tended to develop standardised procedures and methodologies.

Finally, consultancy units with close links to training and development tend to concentrate on helping client organisations function more effectively and on teaching managers how to handle change. The emphasis here is on the processes of change and improvement, with the client supplying most of the substance. Consultancy units increasingly recognise that the opportunities their work gives managers for "learning while doing" comprise an extremely effective approach to public sector reform.

Of the various types of internal consultancy units identified, those established as stand-alone units are closest to private sector firms in the services they provide and their methods of operation. This type of unit appears likely to adopt market-driven strategies that respond to the needs of its clients in a variety of areas. The services they provide depend on the hierarchical importance of their clients and the main activities of their parent organisations. Such units may adopt innovative, pro-active approaches that emphasise expertise, or they may base their strategies and operations more exclusively on the in-depth understanding of the public service environment they have acquired through experience.

A major strategic concern of stand-alone units is to highlight the differences between their services and those available in the private sector, so as to maintain their relevance in the eyes of the chief decision-makers in government. The key point of difference is naturally the unit's understanding of the public service environment.

In addition to consultancy work, internal consultancy units may also play other roles, including:

- providing developmental experiences for public servants through work in the unit and subsequent transfer to other government posts (most organisations mention this as a secondary objective);

- providing access to government consultancy business by contracting out work to small-scale private sector firms and sole practitioners;
○ advising public service organisations on the employment of private sector consulting firms, although a conflict of interest might arise in the case of units which compete directly with the private sector;

○ acting as a clearing-house for data and information on administrative reform;

○ facilitating the exchange of ideas on innovation in public service management through seminars, discussion groups, conferences, workshops and networking that bring together both public servants and outside experts;

○ disseminating information on issues related to public service management through brochures, articles, publications, seminars and studies;

○ providing input to training and development programmes;

○ facilitating the transfer of national expertise in public administration to foreign governments.

Securing the means to perform critical tasks

The ability of an internal consultancy unit to perform its critical tasks effectively depends on a variety of factors, including an appropriate mandate and institutional affiliation, an adequate size, sufficient autonomy, appropriate financing, and the ability to hire staff who have the necessary experience and expertise. Since the issues of mandate and institutional affiliation have already been dealt with, the following discussion takes each of the other factors individually.

Size: There appears to be little agreement on how large an internal consultancy unit must be for it to be effective. At one extreme, even a unit of two or three people can be effective if it gains sufficient leverage while, at the other extreme, a large unit may be needed to establish a meaningful presence and inspire client confidence. Among the factors that might be considered in determining the appropriate size of the unit are: the range of services offered, the nature of the services offered (specifically, whether projects are of short or long duration and whether assignments are conducted by individuals or by teams) and the size of the potential client base.

Units which are not large enough will be unable to respond quickly to client demand. They may have difficulty freeing staff from projects for the purpose of professional development; they may have limited capacity to foster the exchange of ideas, knowledge, and experience among professional staff; they may not be able to provide adequate support services and systems; and they may be able to offer only limited career paths to their staff. In contrast, units that are too large may become impersonal and bureaucratised, and suffer from a degree of functional rigidity which is anathema to effective service.

Size and strategy, of course, are interdependent. While size is partly determined by strategy, constraints on size have an impact on strategy, particularly in terms of the range and types of service offered and the client groups served.

Autonomy: A certain degree of autonomy is required for units to convince clients that they can offer objective advice. Autonomy is also necessary for the development of a distinct
professional culture that differentiates the unit from the surrounding bureaucratic environment. Greater autonomy means units have increased flexibility to develop strategies that reflect the tasks they consider critical to their success and are able to respond more quickly to changing demands.

On the whole, stand-alone units and those affiliated with training and development organisations have more autonomy than other types. However, there is a general trend for all types of units to acquire greater autonomy, coupled with increased accountability for results. Insufficient autonomy can be a barrier to the development of effective internal consultancy services.

**Financing:** Internal consultancy units can be financed from two sources -- parent organisations and clients. In practice, financing is likely to involve both sources in varying proportions, depending on the mandate of the unit and the rules under which it is required to operate. Most units affiliated with administrative policy and inspection organisations are fully funded by their parent organisations (with the exception of the Danish organisation, which charges its external clients). The other units charge fees to varying degrees. The Finnish and Australian organisations must meet specified revenue targets, while any outstanding balance of costs is made up by their parent organisations. Consulting and Audit Canada is entirely dependent on its revenues, financing its operations solely from client fees.

The extent to which units charge for their services depends, in part, upon how directive the service is. It is not appropriate to charge for mandatory services, nor for services directed at supporting specific administrative priorities, even when offered on an optional basis. On the other hand, services driven more by the demands of client organisations should be paid for. Charging for services is also both an indication and an assertion of the unit’s independence.

In France, salaries, travel expenses and equipment for internal consultants are paid out of ministerial operating budgets. There is no internal accounting system for consultancy costs or other services in any ministry. In Denmark, on the other hand, the DMP consultancy unit is financed through Parliament’s annual budget, on the basis of Finance Ministry allocations for staff salaries, the unit’s single greatest expense. Its other costs, including travel and printing, are usually met by the client, while external clients must pay all expenses. Half the revenue generated by the unit is retained for the education and training of its staff. In Finland, Parliament sets the revenue target and almost all expenditures for the Administrative Development Agency (ADA). The Ministry of Finance authorises expenditure forecasts at the beginning of each year and confirms the revenue targets of the unit. Prices are determined by the market. If the unit exceeds its projected revenue, it can use the surplus to hire more consultants and support staff. In Canada, Consulting and Audit Canada (CAC) is fully dependent on client fees to cover all its direct and indirect costs, including services provided by the parent department and a pro-rated share of departmental overhead. CAC determines its financial framework and incorporates it in an annual business plan, submitted for approval to the Deputy Minister of Supply and Services Canada. Only since CAC became an Operating Agency on April 1, 1991, has it been able to keep surplus funds and invest them in its own revolving fund for long-term development.

Charging fees has several advantages:

- it affords units greater security because they are not directly dependent on annual budgetary appropriations for their existence;
○ it provides greater operating flexibility, to the degree that units are free to retain and control revenues and to invest in capital equipment, systems, research, professional development and marketing;

○ it provides a measure of justification for units and motivation for their staff, as expressed by client willingness to pay for unit services;

○ it is an incentive to units to analyse their costs and improve the efficiency of their operations;

○ it encourages clients to make a proper assessment of their need for the services of the units; and

○ it helps define the appropriate size of units, insofar as they are fully dependent on revenues for their existence, provided they are free to expand or contract.

However, there are also some disadvantages associated with self-financing through user charges, when compared to funding by parent organisations:

○ it may call for additional staff to handle administrative work, such as processing billings and running accounts receivable systems;

○ it may deprive some potential customers (i.e., those with limited budgets) of services; and

○ it can induce units to adopt a short-term commercial orientation in which generating revenue becomes an end in itself, while broader strategic considerations are ignored and investment in service quality and organisational development is inadequate.

**Staffing:** As part of the public service, an internal consultancy unit may be required to recruit staff, from within the service, as far as possible, since one of the roles of most organisations is to create developmental opportunities for public servants. From a strategic perspective, this is both a strength and a weakness. It is a strength to the extent that these units need solid experience and knowledge of the public service and its culture to carry out their critical tasks successfully. It is a weakness to the degree that units see their critical tasks as requiring the development of innovative solutions and/or the provision of specialised services of a technical nature. In the latter case, such units must be able to recruit some staff from outside the public service to be effective. A number of units, principally those with training and development affiliations, recruit from both the public and private sectors to maintain bases of expertise appropriate to their strategies and their capacity to innovate. For example, CAC tries to recruit approximately one third of its staff from the private sector.

**Maintaining relevance over time**

Internal consultancy units have to adjust their strategies from time to time to be able to respond effectively to the changing demands made on them. Traditional strategic planning may be too slow and cumbersome to deal adequately with today's rapidly changing environment. What is required is "strategic management", where strategy is continuously assessed and adjusted. In
some countries, such as Finland and Sweden, units have established a research and development capability to facilitate that task.

Maintaining relevance also involves staying on top of the trends and issues facing the public service. While that tends to be a natural reflex for units close to the centres of administrative policy-making, units more remote from the centre have to make an effort to cultivate contacts with key decision-making bodies in the public service. Such information linkages may be informal or structured. An example of the latter is the policy of The Development Group (TDG) in Australia to carry out an annual survey of activities in the area of human resource development in order to assess service-wide trends. Consultancy assignments themselves also provide valuable information on current issues.

Operational issues: Doing things the right way

Once strategic issues are resolved, it is necessary to turn to ensuring that the "right things" are done the "right way". There are five important operational issues:

- managing relationships and partnerships;
- building the right structure;
- developing an appropriate organisational culture and values;
- managing people and information; and
- managing quality.

Relationships and partnerships

Internal consultancy units do not stand in splendid isolation. Unlike most private sector consulting firms, which operate autonomously, public sector internal consultancy units are normally part of a parent organisation. As already noted, the parent's corporate policies can largely determine a unit's strategies and can limit its operating flexibilities in various ways.

To function effectively in such corporate environments, units must carefully manage their relationships both with clients and with other government organisations with mandates or responsibilities that may overlap those of the unit. They must also seek to gain leverage by forging strategic alliances and partnerships with other organisations, both private and public. The key relationships include those with the parent organisation, clients, other internal consultancy groups, training and development units, audit and inspection units, private sector consultancy firms and public service unions.

Parent Organisation: Internal consultancy units are "owned" by their parent organisations, and they must be seen to serve the parent's interests effectively and efficiently. To do that, units must align their strategic direction, positioning and actions with the needs of their parent and be careful not to compromise their parent organisation by making recommendations that conflict with its policies or compromise its decision-making processes. In cases where a
consultancy unit's clientele extends beyond the parent to include other public sector organisations, its top management must be sensitive to the overall needs of the public service within which it is situated.

More specifically, managing relationships with parent organisations requires:

- understanding and meeting the expectations of stakeholders in parent organisations and, in some cases, the public service at large;

- making commitments consistent with both stakeholders' expectations and the delivery capability of the unit; and

- producing results that match commitments and demonstrate that the unit is having the desired impact on the public service.

Clearly, if the unit's clientele extends beyond its parent organisation, it must, in conjunction with its parent, manage expectations, commitments and results in a way that is sensitive to the needs of public service policy and decision-making bodies.

There are challenging implications in such relationships for the managers of internal consultancy units, who are the main links with parent organisations in particular and the public service in general. They must:

- ensure that parent organisations and clients understand the unit's operational/business strategies and recognise the real value and relevance of their services;

- forge and maintain strategic alliances with key administrative stakeholders;

- be seen as good team players by top management in parent organisations;

- guarantee both their unit's integrity and their support for staff as professionals; and

- develop, sustain and defend, when necessary, consultancy practices that have the right people and environment to produce high quality, professional work.

**Clients:** An important rationale for, and strategic advantage of, internal consultancy units lies in the fact that they operate in the same organisational milieu as their clients. As a result, they share the same experiences as their clients and have an acute understanding of the pressures under which they operate. While this is a strength, it also offers units a major challenge in maintaining independent, professional, service-driven relationships between consultants and clients. That raises three main issues:

- selection of assignments;

- maintenance of the capacity to render independent judgement; and

- partnerships with clients.
Assignment Selection: The demand for consulting services should originate with the client. If internal consultancy work is regarded as a service, then it should be optional rather than mandatory. In that case, the role of the consultant is to persuade, not to control. Where an internal consultancy unit acts as an agent for a central authority, it raises significant questions as to the identity of the "true" client. Consultancy units affiliated with groups providing policy direction or inspection services, such as the Danish and Spanish organisations, stress the advantages of optional work in maintaining good consultant-client relations and in achieving real change. If the demand for a unit's services exceeds its delivery capacity, the unit has to make choices on the supply side. Such choices should be based on key factors like government priorities, the prospects for success and the potential impact of the assignment on public service operations generally.

Consultancy units that charge fees for their work are likely to be more demand-driven than their non-charging counterparts. While fee-charging can simplify the assignment selection process, it carries with it the danger that the financial performance of the unit will be emphasised at the expense of its overall value to the public service. Furthermore, it may mean that some potential client organisations -- those that cannot afford the services of the unit -- will be left to fend for themselves, even though they may have a much greater need than many of those that can afford to buy consultancy services.

This issue is more acute where units are entirely revenue dependent. Organisations that are on partial cost recovery, such as RPD Advies in the Netherlands, have more flexibility to help clients who cannot afford to pay for their services. Another possible solution to this problem is to set up a special fund to help needy clients without sacrificing the benefits that come from exposing the consultancy unit to market pressures.

Maintaining Independence: To be effective, internal consultants must provide independent, objective and confidential professional advice to clients. A true consultant cannot be a "rubber stamp" for something that has already been decided. The keys to maintaining independence vis-à-vis clients are:

- establishing a clear contractual relationship at the outset of an assignment; and
- maintaining professional consultancy standards.

In terms of the first of these criteria, the initial service contract or agreement should specify the objectives of the assignment, the approach to be used, the nature and timing of the deliverables, the number and identity of the resources to be employed, the obligations of both parties and the costs (if any) involved.

As regards establishing and maintaining professional standards, consultancy units may have to educate clients about the roles of consultants and appropriate behaviour toward them. At the same time, consultants should be educated about their own roles, appropriate conduct and ethics. Furthermore, the unit's top management must support the independence of its staff from interference either by clients or by the senior management of the parent organisation. Appropriate quality management measures should be implemented in the unit and its compensation and performance incentives, which need to be determined as objectively as possible, should be linked to the quality of its work.
**Partnerships:** Many consulting projects, particularly those in organisational development, call for consultants and clients to act in partnership to bring about desired changes. The respective roles of each must be spelled out clearly in the initial project contract or agreement. In Ireland, for instance, the CSTC works on a joint team basis with its clients. Its consultants act as facilitators in a change process initiated by its clients. While the CSTC offers advice and expert opinion, most of the solutions, proposals and recommendations in projects come from client groups themselves. This process is felt to be much better at generating outcomes which are acceptable to clients and will subsequently be translated into concrete actions. This joint approach is also used by IGSAP in Spain. In carrying out its diagnostic inspections of service operations, IGSAP staff work with members of the client organisation as a team. In that way, IGSAP staff can benefit from their experience and understanding of how the client organisation functions. Other benefits of this approach include greater transparency and better integration of efforts.

**Other Internal Consultancy Groups:** Relationships with other internal consultancy groups in the public service may be competitive or complementary. When complementary, the internal groups either serve different clients (such as different departments or ministries) or provide different services. But whether they be competitive or complementary, these units can learn from each other, and they can also learn from similar units in other countries.

In some countries, central internal consultancy units provide a leadership function to others in the internal consultancy community across the public service. They may act as a focal point for training, standards setting, dissemination of information on good practice, and performance monitoring. Both the Specialist Support Group in the United Kingdom’s Treasury and the In-house Consultants Modernisation Group in the French General Directorate for the Civi. Service play this type of leadership role.

**Training and Development Units:** There is a natural complementarity between traditional training/development work and consultancy in so far as one reinforces the other in the development of managers and organisations. Recognition of that fact has induced a number of training and development units to move into consultancy.

There are certain advantages to having a single unit responsible for both training/development and consultancy, not the least of which is that it encourages effective co-ordination between them, particularly in the area of organisational development and reform. However, there are also drawbacks to such an arrangement in terms of the cultural differences between the two functions. In traditional course-based training and development, the agenda is driven primarily by the supplier (although courses may be tailored to the requirements of individual client groups on the basis of a needs assessment). Whereas in consultancy the agenda is driven much more directly by the client. In practice, however, there is a continuum of possibilities spanning the two functions; one shades imperceptibly into the other.

Where the two functions are organisationally separate, and even when they are not, there is a risk of friction between them in terms of the competing solutions they may offer to a client’s problems. A training and development group may promote a training-based solution to a problem that might be better handled on a consultancy basis, and vice versa. Co-operation between the two functions should be sought so as to ensure that the most effective developmental solutions are offered to clients. Each function can help the other: consultancy services can help to diagnose training needs and may generate requirements for training, while training courses may reveal areas where consultancy services are needed and can also be used to instruct prospective clients.
in the better use of consultants. In Belgium, the Organisational and Human Resources Management Consultancy Unit is involved in an inter-departmental task force to develop an investment programme and guidelines for training. At the same time, the Directorate-General for Selections and Training (DGSF) often seeks assistance from the Consultancy Unit to respond to situations where a request for training has uncovered organisational and management problems. In Ireland, too, the CSTC has found that, as it becomes more involved in consultancy in the area of organisational development, it is increasingly important to liaise with other groups, such as their Management Services Unit, which provide complementary consultancy services. It also recognises that this need for co-operation extends to the private sector and other external groups.

**Audit and Inspection Units:** Just as the role of traditional training and development groups is evolving in the direction of consultancy, so the audit and inspection function is also expanding from its traditional base of checking for compliance with rules and procedures to one which includes much broader investigations into the performance of organisations and managers. Clearly, this is creating a widening area of common ground between internal consultancy and inspection services.

The overlap between audit/inspection and internal consultancy can be a cause of friction. To avoid that, the respective roles of the client, the auditor and the consultant, have to be clearly delineated. The relationship between internal consultancy and audit groups should be one of cooperation, and include the sharing of non-confidential information on management and organisational issues in the public service. However, it must be noted that for a variety of reasons, audit and inspection roles are becoming more consultative. Managers and clients are demanding advice and recommendations in addition to audit reports. Moreover, real administrative improvement requires the commitment and involvement of employees, which demands a more "consultative" approach than merely issuing inspection reports. In the United Kingdom, for example, internal audit groups call in internal consultancy units to advise managers on how to remedy deficiencies that have been identified. This approach reflects the general view that it is difficult for internal audit groups to preserve their independence and objectivity if they become too closely involved in consultancy work themselves.

**Private Sector Consulting Firms:** Internal consultancy units can relate to private sector consulting firms in three possible ways:

* as sources of developmental expertise in consultancy;
* as partners; and
* as competitors.

**Developmental Expertise:** Many internal consultancy units in public administration are recently established and are staffed primarily by public servants without professional backgrounds in consultancy. It is only natural that such units should look to the private sector as an appropriate role model and source of ideas on how best to develop an effective consultancy organisation. In addition, some internal consultancy units look to the private sector for assistance in staff training and product development. For instance, the TDG in Australia has engaged private consultants to work on the development of particular products which the unit then offers the Australian Public Service. This approach has made up for the lack of some specialised skills in the unit and for a shortage of staff to undertake product development work. Belgium believes that co-operation with outside consultants could help improve its own performance, as long as those consultants are
highly qualified professionals, while in Denmark, the DMP consultancy unit holds joint seminars with private consulting firms to discuss professional matters and exchange views and experiences.

**Partnership:** A French document entitled *Consultants Internes dans l'Administration* (The In-House Consultant in Government Administration) contains the following observation on the respective roles of internal and external consultants; ... *their complementary roles seem rather obvious. The outside consultant is there to provide a more objective, comprehensive view of the scene. The in-house consultant is familiar with the system and its capacity for integration. The shared objective is to identify whatever procedure will best suit the situation. Their complementary roles can be particularly valuable when the task is an unusually demanding one, ... (or) ... when a maximum of experience, models, methods and instruments must be drawn upon to create the most appropriate arrangement from scratch.* (Direction Générale de l'Administration et de la Fonction Publique, 1991, p. 10)

Strategic alliances and partnerships between internal and external consultancy groups, drawing upon complementary skills and experience, are an effective approach to carrying out complex assignments in public administration. Partnerships of this type can prove valuable both to internal units engaged in large-scale project work that requires teams of professionals with complementary skills and to units engaged in highly innovative work.

Some internal groups maintain a network of outside consultants they bring in as contractors on specific projects. That helps put private sector expertise to work in a way that is relevant to the needs of public service managers. By using contractors, an internal consultancy unit can provide a broader range of services than would be possible with in-house resources alone, and also has a flexible reserve of capacity to meet fluctuating demands for services.

Partnerships between internal consultancy units and the private sector not only help internal units keep abreast of methodological developments and enhance their consulting expertise, but also help the private sector by providing it with a valuable insight into the culture of public administration. That helps the private sector to make its consulting services more useful to public service managers. In the words of a French official, partnerships between internal and external consultants bring added value, since one is familiar with the culture of the public service while the other has the expertise needed for a particular project. Furthermore, each benefits from the knowledge of the other. They see one role for an internal consultancy unit as helping to create a climate in which the value of external consultancy is recognised. Contracting, mostly to small, private sector firms and sole practitioners, constitutes a very significant proportion of the business of the Canadian organisation, CAC, accounting for over half its gross revenues. To facilitate contracting CAC maintains a database of some 1,700 firms and sole practitioners across Canada. For its part, the German public administration has produced a Project Handbook to provide a methodological framework for external consultants working for it; among other things, the Handbook details the format required for consultancy reports.

**Competition:** Internal consultancy units that charge for their services may find themselves competing with the private sector, either directly or indirectly. Indeed, one of the primary reasons for charging fees is to create a competitive environment that acts as a spur to better performance and greater efficiency. For this strategy to be acceptable to all parties, and for it to deliver the results intended, competition must take place on a more or less level playing field. In other words, the fees charged by the internal consultancy unit should reflect its true costs.
Public Sector Unions: There are a number of key points to be made about consultancy unit relationships with public sector unions. First, it is only good professional practice to consult unions and employee associations in assignments that involve major change processes. In any case such involvement may be required by law or collective agreements.

The responsibilities and relationships of internal consultancy units vis-à-vis unions depend on the units' mandate and roles. For example, where the unit is market-driven and client-focused, consultants will normally advise clients about union involvement and consultation, but the choice as to whether to inform the unions remains with the client. On occasion, clients may ask such units to act as agents in dealing with union concerns. Furthermore, recommendations or proposals made by these units need to take into account existing collective agreements. Finally, consultants who strongly disagree with client decisions about union-related issues must be prepared to withdraw from assignments.

Where the work of the internal unit is defined more by the parent organisation than by client demand, it may be more appropriate for the respective managements of the parent organisation and the unit to consult jointly with unions and associations about such things as the unit's overall work programme and specific assignments.

Structure

Internal consultancy units must be organised in a way that supports their strategies and the successful execution of their critical tasks. For example, units that aspire to be truly innovative and creative in their work, or to carry out assignments involving multi-disciplinary project teams, should consider a fluid, organic matrix structure to maximise their effectiveness. Such an organisation allows project teams to disband and reconfigure to meet changing requirements. Teams are managed by a project leader whose role is more one of liaison and co-ordination than one of traditional management. The organisation is highly democratic and non-hierarchical, with open communication and shared decision-making, where influence comes more from expertise and knowledge than from the exercise of formal authority.

In contrast, units that base their services more particularly on the individual skills and experience of consultants have less need for co-ordination and so do not need as fluid a structure as units in the first group. The crucial task of managers in such units is to correctly diagnose problems, and assign them to consultants who have the necessary skills and experience to solve them. Once the allocation is made, work proceeds in a fairly autonomous way, guided primarily by past experience and professional norms. This arrangement allows for varying degrees of control, depending on the nature of the work; the more sensitive and less routine it is, the greater the need for control. Units of this type rely heavily on individual judgement and expertise, and any attempt to manage them as bureaucracies severely damages their effectiveness.

Larger internal consultancy units may need to adopt branch structures in order to create centres small enough to develop team spirit and encourage the sharing of ideas as well as provide a sharper operational focus and varying degree of effective control. Branches can be organised on the basis of type of assignment, issues addressed, common skill sets, client group, or some combination of these. The preferred structure depends on two major factors - the size of the unit and its business strategy.
The basis for setting up branches and holding them to account depends on the strategy and objectives of the unit as a whole. If the unit is innovative and works at the "leading edge" of developments in the public service, the branches it sets up will be temporary and will bring together teams of professionals with complementary skills and experience to focus on issues it considers strategically important. The unit will hold these branches accountable for, among other things, establishing a reputation for expertise in particular areas among the client community. Where a unit's strategy is to offer a broad range of professional services, it may set up branches on the basis of the type of assignment or common skill sets, and will hold branches accountable for providing clients with sound professional advice that meets their needs, within the current administrative environment.

The unit's business strategy also influences the degree of autonomy granted to individual branches. For example, in a unit that is primarily concerned with meeting specified financial targets, it is possible to operate with relatively autonomous branches. However, units with broader strategic goals risk compromising the integrity of those goals if they allow individual branches to adopt independent strategies. In general, the need for coordination between branches increases as a unit's strategy becomes more focused on innovation.

The DMP consultancy unit in Denmark has four divisions, three of which handle modernisation projects, while the fourth is concerned with information technology. The three modernisation divisions were established to serve particular client groups, each being responsible for keeping in touch with a number of ministries on the relevant issues. The unit also uses a matrix structure so it can draw on employees from all four divisions to work on projects if needed. For its part, ADA in Finland has an issues-based divisional structure, comprising three divisions devoted to results-oriented management, quality and work methods, and management support services.

In the Netherlands, RDP Advies is organised along functional lines. It has one division devoted to personnel selection and another that provides support in the areas of management and career development. It also has a client liaison office that provides logistical and administrative support. The Spanish organisation, IGSAP, does not have a divisional structure for its inspection services. Instead, it functions in an "adhocratic" manner, bringing together project teams to meet the specific requirements of each project. As for the United Kingdom, it is considering the formation of multi-disciplinary teams in areas such as human resources management. These teams would comprise trainers, human resources control personnel, work measurement specialists, internal auditors, and so forth, and would offer "one stop shopping" for managers.

A further structural question relates to the extent to which a unit is concentrated in one place or dispersed geographically. That depends on a number of factors such as size, institutional affiliation (i.e., whether the parent organisation is dispersed or concentrated), the type of service provided (level of client, amount of client involvement), the nature of the work (routine, or innovative, insofar as the former is readily measurable it facilitates geographical dispersion), and the range of services provided (a wider range may discourage geographical dispersion). Furthermore, decentralised decision-making in client organisations may result in more decisions being taken at regional offices, and decentralised budgets may mean regional offices have more power to hire consultants directly. Both factors could lead to a demand for more dispersed, locally available consultancy services.
Culture and values

The French Government document (Consultants Internes dans l'Administration) referred to earlier, identified a number of key values for the effective performance of internal consultancy units. They include:

- confidentiality, which gives clients the confidence that they can discuss sensitive issues openly with consultants;

- professionalism, which means taking on only that work which the unit is qualified to do and for which the prospects of success are good, not to mention maintaining objectivity and avoiding self-aggrandisement;

- transparency, which calls for non-confidential information or findings to be shared as openly as possible with client staff, unit management and other interested parties;

- pragmatism, which involves starting from the reality of the situation, recommending only feasible solutions and avoiding dogmatism;

- integrity, which means bringing consistent, independent judgement to bear on situations; and

- loyalty to the government, colleagues and clients.

A Code of Professional Conduct is an effective way of communicating to staff, clients and the general public the values the unit holds and the manner in which it intends to conduct its business.

While the culture of any internal consultancy unit should reflect these values, there must be room for the development of differences in cultural emphasis to support different strategies and critical tasks. For example, a strategy of innovation requires a culture built on teamwork, collective achievement, open-mindedness, creativity, respect for ability rather than formal authority, and a willingness to take risks. In comparison, a strategy of solid professionalism flourishes in a more individualistic culture which accords respect to experience and technical expertise, sound professional judgement and stable, productive relationships with individual clients. Equally, a strategy that emphasises efficiency and product standardisation operates best in a culture that places a high premium on cost control, adherence to established procedures and the refinement of existing solutions rather than the search for new ones.

There is no doubt that professional competence influences a client's decisions, while high ethical standards help to establish a unit's authority. Thus in the United Kingdom, the Civil Service College has attempted to underpin the high standards of competence of internal consultants by introducing a certification scheme that gives professional recognition to their management services skills. Similarly, many of the consulting professionals in Canada's CAC have earned the designation "Certified Management Consultant" in recognition of the fact that their work meets established standards of professionalism.
Managing people and information

The most valuable assets of any internal consultancy unit are its people and its intellectual property (the knowledge of its staff combined with its information bank). Proper management of these assets is vital to success, and raises questions relating to skill requirements, the recruitment, retention and development of staff to meet those requirements, and the information needs of consultancy units.

**Skill Requirements:** Ideally, the staff of internal consultancy units should possess the following attributes, skills and knowledge:

- Experience and knowledge of public sector management and the change process, combined with the ability to learn from experience, an acute political awareness and sound professional judgement;

- Communication skills, including skills in listening, oral and written presentation, interviewing and leadership;

- Technical skills, including not only subject area skills, but those such as a degree of flexibility and a willingness to learn new skills as circumstances demand, and diagnostic (inductive reasoning), cognitive and analytical abilities;

- Personality traits, such as discretion, objectivity, self-effacing professionalism, empathy, tact, sensitivity, the ability to work as part of a team, curiosity, creativity, courage, imagination, optimism, integrity, maturity and self-motivation.

The characteristics that an internal consultancy unit should seek or develop in its staff depend to some extent on its strategy. Innovative organisations need creative, open-minded people with a thirst for knowledge, strong cognitive skills, a tolerance for ambiguity, a willingness to take risks and to work as part of a team, with ambitions centered on intellectual attainment. In comparison, units with strategies based on experience and professionalism need people with strong technical skills, extensive experience, integrity, and sound professional judgement, able to make decisions consistent with established norms and expectations.

**Recruitment and Retention:** Internal units must recruit professional staff possessing as many of the above skills as possible (or the capability of developing them) and whose values are consistent with those of the unit.

Many internal consultancy units must recruit primarily from within the public service, often on a rotational basis. While this may give them the base of practical experience they need to understand their clients' culture, it also may limit their capacity to innovate and to attain a degree of professionalism that distinguishes them from the rest of the bureaucracy. But, as a Finnish official observed, while consultants must have different backgrounds, experience and skills and be as objective as possible, they must also know the administration and have "felt the real pains of being a public servant".

The long-term vitality of internal consultancy units is enhanced if they can recruit at least some of their professional staff from outside the public service. That not only helps units develop
a reputation for expertise, but also provides them with an influx of new ideas and perspectives from other sectors of society.

In addition, internal units can benefit from staff exchanges with both public and private sector organisations. These enrich units' total experience base and help them remain relevant. Exchanges from within the public service can also assist units in marketing their services, by raising their profile and expanding their network of contacts with potential clients.

There are considerable benefits in retaining good staff as long as possible rather than losing them through rotation. Retaining staff may be easier for large units (where there are internal career opportunities) than for smaller ones. The Dutch organisation, RPD Advies, which operates under a management contract that allows it some flexibility in staffing, is moving to such a career focus strategy. In the United Kingdom, it is not unusual now for staff who were transferred out of a consultancy unit after an initial period of service to return to the unit after getting a promotion elsewhere. Other units, such as IGSAP in Spain and ADA in Finland, have a mixture of rotational and career posts, while the Belgian and Finnish organisations try to retain staff by offering higher salaries than the public service norm. However the stimulating nature of internal consultancy work, with its collegiality, teamwork, relatively high degree of autonomy, and interesting and varied assignments, is probably the strongest inducement for staff to remain.

**Development:** The long-term success of units requires the proper development of managerial, professional and support staff. The process is driven by the needs of individual staff and the strategic skill and knowledge requirements of units themselves. Development should encompass all aspects of unit operations, including specific substantive and methodological skills and knowledge, familiarity with the public service environment and the consulting process, leadership and general management skills, written and oral communication abilities, knowledge of marketing and project management techniques, and effective use of information technology.

Some argue that initial recruitment should be followed by prolonged, intense training within the internal consultancy unit itself, supported by inter-ministerial agencies, universities and external consultancies. Training should be related to institutional goals, and should develop strategic thinking while fostering awareness of practical procedures, methods and instruments. It should also integrate existing skills into a comprehensive systems view that capitalises on the experience consultants bring to bear on complex assignments. The aim should be to allow consultants to reach and remain at the "leading edge" of their particular discipline.

An important element in staff development is the continuous exchange of information, knowledge and experience within the unit itself. Consultants should themselves adopt an action learning approach. To encourage that, the unit should adopt a learning culture that emphasises and rewards learning as well as action, by fostering intelligent risk taking and treating honest mistakes as opportunities for learning rather than causes for punishment. In Canada, CAC sponsors an orientation session each year for new recruits and offers an annual consulting skills workshop to promote staff development. It also provides its consultants and managers with information about current training and development opportunities, and contracts with outside organisations for specific training in computer, presentation and other skills.

At Finland's ADA, some consultants are seconded for two or three years, while others are permanent staff. None require formal work or educational qualifications, but all consultants
have at least 10 years' experience in appropriate development or management posts and possess at least a master's university degree. In Denmark, the DMP organises a four-week course for new recruits during which they receive instruction in consultancy skills (including the employment of consultancy techniques), and issues related to organisational development, financial and human resource management, communications and personal development. As part of the course, participants have to carry out a small organisation development project which is evaluated both by the course leaders and the client organisation.

**Information:** There is no doubting the vital importance of information in internal consultancy units. Consultants are knowledge workers par excellence; information is their primary working tool and knowledge their most valued asset. It is this asset that provides continuity in a working environment which is constantly changing in response to public sector pressures and client service needs. The efficiency of internal consultancy units depends in large measure on the efficiency with which they handle information, just as the quality of that information strongly influences their effectiveness.

On the efficiency side, an information database or corporate memory is extremely important; it can eliminate wasteful reinvention of the wheel and duplication of effort. On the effectiveness side, databases enable units to learn from past experience and apply those lessons systematically to improve the quality of their support to clients.

The collective knowledge of units should be based on empirically supported information regarding "best practices" in the public service environment rather than on anecdote, hearsay or the pronouncements of so-called management gurus. Although information is a key component of all strategic options, it is crucial for those doing innovative or "leading edge" work. Efficient sharing of information may be hardest to achieve in units that gear their service to the individual experience and skills of their consultants.

**Managing quality**

In addition to selecting a strategy that maintains the relevance of their services, a key condition for success for internal consultancy units is to produce work of the highest quality possible within available time and budgetary constraints.

Units must ascertain their clients' detailed quality expectations to avoid misunderstanding and second-guessing. That necessitates early consultation between units and clients about every aspect of interaction. Consultation can be built into the marketing process to ensure that communication and dialogue is not limited to the technical quality of reports and presentations.

Evaluation plays a key role in managing quality, by allowing units to determine whether the client's expectations are being met and, if not, to decide on appropriate corrective action. Various evaluation methods exist, ranging from brief post-project questionnaires to detailed face-to-face interviews. Units may also find it useful to engage independent third parties in the evaluation process to encourage greater candour on the part of clients.

Having established its strategy for relevance and identified client expectations for service quality, the unit should determine the support needs of its own staff so they can maintain the unit's relevance and meet, if not exceed, expectations. The support required includes facilities
such as essential training and development and effective organisation learning mechanisms. Each unit must constantly examine its strategies, practices and processes to improve service quality.

Management style is also a determinant of service quality. The creativity and innovation that are essential to successful consultancy can only flourish under a management régime that empowers rather than controls. Unit managers have an important role, the most vital aspects of which are managing people and providing the tools and environment that staff need to do their work efficiently. Managers are responsible for bringing the right people into the organisation and developing their potential to the mutual benefit of the organisation and the employees themselves. This régime clearly differs from the traditional command-and-control style of public administration. The development of such a separate, empowering culture is facilitated when management remains relatively stable. Frequent rotation of managers in and out of units impedes the process.

In addition to regularly evaluating outputs, an internal consultancy unit should continually seek to improve the processes that generate its outputs. While “best practice” information from other public and private sector consultancy units can suggest ideas for process improvements, the most valuable source of information is the units’ staff. Management must be open to suggestions from employees at all levels concerning problems, issues and solutions. Staff surveys are as important as client surveys in gauging the health of internal consultancy units.

In the Finnish organisation, ADA, the evaluation and quality control of consultancy services is a key task of the consultancy director. At the end of the project, consultants may seek feedback from clients either at an evaluation meeting or by confidential questionnaire. The results are then compared with those of other projects to determine the level of success. The Consultancy unit also evaluates the reports and experiences from its projects to develop its services and knowledge of the market. Going one step further, Consulting and Audit Canada undertook a survey of its major stakeholders and clients in 1991 to determine overall satisfaction with the relevance and quality of its services. CAC has traditionally controlled quality by matching the capabilities of its consultants and auditors to project requirements as closely as possible, carrying out internal reviews at key stages during the project, and requesting clients to complete brief post-project questionnaires. It is now implementing a more formal process of post-project interviews carried out by senior independent staff at the end of important assignments. Spain’s IGSAP has adopted an implementation effectiveness index to provide a quantitative measure of the degree to which its recommendations are implemented. The index is weighted to reflect the importance and difficulty of each recommendation.
Annex 1

Country Reports

The following are brief summaries of the reports provided by the 14 national experts who participated in the OECD Panel on Managing an Internal Consultancy Service in Government.

AUSTRALIA

A small unit in the Public Service Commission (PSC) currently provides advisory services in relation to the development of middle managers in the Australian Public Service (APS). The unit, which is known as the Programs and Strategies Section, operates only in the area of middle management development (MMD) within a human resource development (HRD) framework. The Section provides advice and assistance to small agencies in the APS to assist them in developing and implementing their middle management development and human resource development strategies. In the 98 Commonwealth agencies comprising the APS, there are 30 agencies with less than 400 staff, and these comprise the Section’s main clientele.

Advisory services are provided to individual agencies on a "user-pays" basis. The Section also provides various central coordinating services to agencies at large, for which it does not charge. These include overseeing the development of a publication; contributing towards the promotion of Best Practice in MMD; and providing a brokerage service to APS agencies. These activities help smaller agencies with limited resources to develop their middle managers in the devolved environment of the Australian Public Service. The Section will be moving to a full cost recovery basis by financial year 1993/94.

The Section takes on advisory services by responding to requests for assistance from APS agencies. In performing this role, it is sometimes in competition with private sector consultancy firms. Although it competes freely with private firms, the Section neither undertakes assignments in conjunction with private firms nor sub-contracts to outsiders. However, subsequent implementation of a recommended development strategy may lead to an agency engaging private consultants.

In providing advisory services, the active participation of agency staff is sought so as to ensure that they support the chosen strategy and have a strong level of commitment to implementing it. Wherever possible, agency staff are themselves involved in developing recommended courses of action. The outcome of an advisory assignment is usually a plan for the agency’s development of its middle managers. If not already in place the Section will assist with the development of HRD Plans, or aspects of them.

The long-term sustainability of development activity within the agency is a key aim. The PSC’s services are promoted at appropriate APS outlets. A more intensive marketing strategy is being developed.

The staff of the Section come both from within the APS and the private sector, and recruits tend to stay for two or three years before moving on to human resource work elsewhere. While with the Section, they receive both formal training and on-the-job development, often working in teams combining experienced and less experienced staff.

AUSTRIA

The Austrian administration does not have an internal consultancy unit at present, so departments and agencies use private consultancy firms instead. However, the government is now thinking seriously of asking the Administrative Reform Division to play the role of internal consultant for organisational reforms.
Consultancy services are required for the government's Administration Reform Project (ARP), which is designed to overhaul the whole public service by concentrating its resources on core activities and by 'tightening its management structure. The aim is to increase productivity by 20 per cent over the four years from 1989 to 1993, reduce administrative spending through greater use of cost and performance data in decision-making, and concentrate managers' minds on key functions and strategic thinking by relieving them of unnecessary routine tasks. The ARP is being co-ordinated by a Steering Group, assisted by Project Co-ordinators in each department.

Individual departments are encouraged to use private management consultants for their particular reform projects, albeit under closely supervised arrangements. The choice of an appropriate consultancy firm is made in conjunction with the Steering Group, which will be responsible for evaluating all the reforms implemented as a result. Consultants have to submit reports structured in a prescribed manner. They must start with a summary of the existing situation and an analysis of problem areas, go on to propose concrete solutions for a more rational organisation of the work, and terminate with suggestions for further studies aimed at obtaining additional productivity improvements. Departments will be required to present their own evaluation of the consultants' recommendations and their plans for implementing them. They will also have to describe both the tangible and intangible benefits of the resulting rationalisation, as well as explain any disparities between the measures proposed and those actually implemented.

BELGIUM

The Belgium Government set up its consultancy unit, the ABC Consultancy Bureau, in 1988. A central unit, it is housed in the Ministry for the Interior and for the Civil Service, and reports directly to the Minister for the Civil Service.

The ABC's main task is to help government departments solve their human resources, organisation and management problems in order to improve their performance and hence the quality of the service provided for the public.

Like its counterparts in the business world, the ABC intervenes when asked to do so by its clientele (the different government departments), sending a team to work under a partnership agreement on the premises of the department concerned and endeavouring, in close consultation with the Head of that department, to identify and solve its problems. Complete confidentiality is guaranteed, and the ABC conducts its examinations and makes its recommendations in a totally independent manner.

The Bureau also carries out studies and suggests instruments or schemes to improve civil service management. It may undertake such work either at the request of the Minister for the Civil Service, or on its own initiative.

Under its Director, it is staffed by established civil servants who are recruited by a special competitive examination (maximum 24). It may also call on other experienced officials, who are then seconded from their own departments (maximum 6). It is planned to increase the present complement of eight staff to twelve or so in the near future. The team is multidisciplinary. Its members are trained in management, law, economics, political science and administration, social and applied sciences. Though young (average age under 40), they are all well versed in public sector affairs, averaging some ten years’ experience working in government departments.

CANADA

The internal consultancy unit of the Canadian public service has a long history, dating back to the creation of the Operations & Methods Division of the Civil Service Commission in 1948. Following a major reorganisation in the 1960s, all the federal administration's consultancy services were merged to form the Bureau of Management Consulting (BMC) in 1970. A further restructuring took place in 1990, when BMC was merged with its audit counterpart (the Audit Services Bureau) to form Consulting and Audit Canada (CAC). CAC provides corporate support services (in areas such as communications and marketing, information technology, finance, personnel and general administration) to its consulting arm, which is now called the Government Consulting Group (GCG).
GCG supplies a wide range of management consulting services to the federal administration on an optional, confidential and fee-paying basis. In 1990-91 it worked on some 500 projects for over 50 institutions, and carried out another 1,100 international projects in association with the Canadian International Development Agency. That year GCG generated revenues of $24.5 million (63 per cent of which were attributable to sub-contractors), representing about 15 per cent of the total federal public service market for management consulting services.

As well as providing services aimed at improving the efficiency of public sector management, GCG undertakes development programmes for public service managers, facilitates access to government work for small private sector consultancies, and promotes the transfer of Canadian expertise in public administration to foreign governments. GCG is not engaged in formal training activities other than for its own staff, whose expertise spans the entire spectrum of the managerial functions involved in running large organisations.

GCG is free to select the projects it undertakes, the main condition being the client’s ability to pay. Projects range in scale from comprehensive organisational development to the resolution of local problems of a relatively technical nature. The unit tries to accommodate most requests for assistance, either by deploying its own resources or bringing in sub-contractors. But requests may be turned down if they fall outside GCG’s mandate, or the unit does not have the necessary skills, or its resources are fully committed. GCG actively markets its services to existing and potential clients, and fully three-quarters of its work is repeat business.

GCG maintains a staffing level commensurate with its revenue generating capacity, which means ensuring that professional resources remain fully utilised even during downturns in the level of activity. Some 60 per cent of GCG’s managerial and professional staff came from other organisations within the federal public sector, while 36 per cent worked in the private sector before. Any upsurge in activity beyond the capacity of the unit’s permanent resources can be readily accommodated through sub-contracting. It occasionally uses people seconded from government departments or agencies as consultants, but it mainly supplements its own resources by contracting out to private consultants and academics. It subcontracts mostly to individuals rather than to firms, and rarely undertakes joint projects with the private sector. The fact that sub-contracting represents such a large part of its business is considered an asset, insofar as GCG seeks to facilitate the access of individuals and small firms in the private sector to the public service consulting business.

Evaluation of GCG’s consultancy services is largely a matter of the client’s judgement and appreciation, although the unit recently introduced a more formal process of quality control and assessment. GCG normally operates at the project level rather than in the form of ongoing assistance to clients, and implementation of its recommendations and proposals is usually left to the client. It has no authority to enforce any of its recommendations, and in many cases they require approval from a central authority, such as the Treasury Board or the Public Service Commission, before they can be implemented. Sometimes GCG consults such agencies prior to submitting proposals to ensure they comply with current policy. The unit does not carry out systematic comparative analysis to identify problems common to the public service as a whole.

Dependent as it is on the revenues it earns, GCG sets its fees so as to recover all costs, both direct and indirect, including a pro-rata share of departmental overheads. It prices its services on a per-diem basis, related to the salary level of the consultants assigned to the project, and fees are adjusted annually. CAC is authorised to retain any financial surplus it might generate, although it does not seek to make a profit.

DENMARK

Denmark’s central state consultancy service is a branch of the Department of Management and Personnel (DMP), which is part of the Ministry of Finance. The DMP has overall responsibility for formulating and implementing policies relating to the organisation and management of the central administration and state agencies (including the introduction of new technology), as well as for determining the salaries and working conditions of all public sector employees. In addition to the central consultancy unit, some state institutions, such as the railways, have established independent consultancy services specialising in their particular organisational and management problems.

The DMP’s consultancy unit serves some 1,200 state institutions employing around 200,000 people altogether. It has four main roles: (1) To bridge the gap between political directives on the modernisation of the public sector and the individual development projects of state institutions, developing methods and tools for improving
managerial efficiency in public administration. (2) To assist in the formulation of administrative policies, drawing on its extensive experience of the conditions in which state institutions operate and the problems they face. As a consultancy, it has the possibility of testing models on a small scale in the real world before recommending their general implementation throughout the administration. (3) To advise state institutions on the use of private consultancy firms for their individual organisational reform and management development projects. (4) To find appropriate solutions to problems in politically sensitive areas of central government.

The consultancy unit employs about 50 people and is divided into four divisions, one of which is in charge of the development of information technology throughout the administration while the other three deal with general organisational reform, dividing up the various state institutions amongst them. Moreover, each division is responsible for developing a particular area of policy (such as personnel, organisation, public information, privatisation) within the overall administrative reform strategy.

The DMP itself decides what assignments to undertake on the basis of its overall policy objectives and the project’s potential contribution to improving the efficiency of the public administration and to the development of new thinking in the field of administrative reform and personnel policy. The decision also depends on whether the DMP has the necessary resources and skills available to undertake the task within the given timeframe. Since it is part of the unit’s role to help state institutions choose external consultants, it does not compete with private consultancies for work. It sometimes works alongside private sector firms on projects in which part of the work is contracted out to external consultants, and its development branch is usually represented on committees overseeing administrative reform projects carried out by private consultancy firms.

Projects usually arise when an institution has particular problems with its organisation. In that case, the institution approaches the DMP about the possibility of bringing in its consultancy unit to solve the problems. However, the DMP’s development branch can also initiate so-called rotation projects, in which selected areas of the administration are studied in turn, without the agreement of the institution concerned. If the institution knows it has problems, it may well propose a review to avoid the unpleasantness of an obligatory investigation.

In situations where it is the client institution that contacts the DMP, preliminary discussions take place between the two to see whether the institution has the means to solve its own problems or requires the assistance of an external consultant, such as the DMP’s consultancy unit. In that case, a detailed description of the assignment is drafted and a form of contract concluded between the institution and the DMP. At the same time, the consultancy unit determines certain criteria for the success of the project (cost savings, better service, shorter administrative procedures) to enable a systematic ex-post evaluation to be carried out in conjunction with the client.

The distinction between the submission of recommendations and their implementation is blurred by the fact that consultancy projects often take the form of a continuous process in which the different phases - analysis, the proposal of solutions, and implementation - run into each other. The consultancy unit cannot force the client to accept its recommendations, but it hopes to secure their implementation on the strength of its professional competence. It is the policy of the consultancy unit to furnish information about the objectives and progress of projects to the staff of the institution concerned in order to facilitate the implementation of its recommendations.

One of the main reasons for having a central consultancy service within the public administration is that few state institutions are big enough to have their own in-house unit. Acquiring experience in different types of organisation with their own methods of work enables consultants to draw on various models in finding the best solution for any problem. Its credibility and the quality of its work are also enhanced by its independence from the special interests of individual institutions. However, the fact that the DMP is part of the Ministry of Finance does circumscribe its consultancy activities, since its recommendations have to conform with the overall policy guidelines laid down by the Finance Minister. In present circumstances, that means among other things that it cannot propose solutions entailing an increase in expenditure by a state institution.

The DMP does not charge its clients in the public administration for its services. Only on the rare occasions when it accepts commissions from other institutions does it charge a fee, and in that case the fee covers the entire cost of the project. But revenues from paid work represent less than 2 per cent of the unit’s budget, while the bulk of its funding is provided by the Ministry of Finance. Only incidental expenses such as travel and printing are paid for by the client institution.
FINLAND

The Finnish government established an internal consultancy unit in 1987, providing it with resources transferred from the Public Management Division of the Finance Ministry. The unit is part of the Administrative Development Agency (ADA), which also incorporates a training section and a research and product development unit. There is a separate consultancy unit in the State Dataprocessing Centre, and because of the obvious danger of competition between the two, they have agreed to co-operate. Within the ADA, there is a positive synergy between the training and consultancy units insofar as consultancy projects tend to increase the demand for training courses, while training courses are a good opportunity for marketing the Agency's consultancy services.

The ADA draws its clientele from the whole gamut of central and local administration, comprising 160 organisations employing 210,000 civil servants. In 1990, when its consultancy unit undertook projects for 30 organisations, central government departments accounted for 33 per cent of its business, other central agencies for 41 per cent, local authorities for 18 per cent, and provincial/district administration for 8 per cent.

The consultancy unit is divided into three groups: one for result services, aimed at institutions that are to shift to result-oriented management and budgeting between now and 1995; one for consultancy services, which deals with the quality of public services, the strategic reform of activities and work methods, and administrative office systems; and one group for supporting services. The consultants give their own analyses of situations, together with various alternatives for change and/or future development. But basically their mission is to help the client work out his own solutions to problems. Consultants are recruited from senior positions in the administration, and the unit sometimes brings in civil servants on secondment from their normal posts.

Clients alone decide whether to call in the internal consultancy unit or go to an outside firm. The ADA unit can be selective about the projects it undertakes only if the demand for its services exceeds its capacity. Up to now it has not had any difficulty in finding clients, so it has not needed to market its services very actively. Clients evaluate the consultancy work at each stage of their reform programmes, and if they are satisfied they continue to use its services for the next phase. It is the client that determines both the objectives and the criteria of success of a project. Once the project is completed, a major evaluation meeting takes place, and consultants may ask civil servants to provide feedback information by filling in a confidential questionnaire.

The advantages of an internal consultancy unit serving the entire public service stem from its knowledge of state institutions and its ability to provide them with tailor-made services. Moreover, the experience and knowledge derived from each development project remain within the administration, so clients do not need to bear product development costs several times over. Internal consultants see to it that changes they recommend in particular areas of the administration are compatible with what is happening elsewhere, taking account of the need for institutions to communicate and co-operate with other state agencies. The in-house unit also ensures a sufficient supply of management consultancy services to the main state institutions.

On the other hand, external consultancies also offer certain advantages. They can introduce new models and experiences from the private sector and abroad more rapidly, and they have genuinely new and different ways of analysing and reorganising methods of work. Using both internal and external consultancies results in healthy competition and co-operation between them, which guarantees that clients receive the best service at the best price. As well as working with private firms on particular projects, the ADA has set up a joint venture consultancy with a private firm and co-operates in the development of methodologies with one Finnish consultancy and one US firm. It also works jointly on methodology development with a group of university experts.

The consultancy unit is given a spending budget and a revenue target each year by Parliament. If it exceeds its revenue target, it is permitted to hire additional staff.

FRANCE

In-house consultancy services are developing in various forms in France's state institutions, as part of a strategy for the general modernisation of French public services announced by the government in 1989. The reform process is having to take place in a context of budgetary and staffing restrictions, which makes it vital that all changes should be well planned and prepared. Given that the French public sector employs 2.5 million people and is
responsible for almost all the country's strategic functions, the government is well aware that any measures which antagonise staff unduly run the risk of bringing the country to a standstill. Hence, it decided at the outset that reforms should be introduced with the active co-operation of employees. In addition the trade unions are informed about current projects and, in some cases, are involved in the necessary planning. They are also informed of the results.

The shortcomings of the existing system are attributed more than anything to the excessive centralisation of the administrative decision-making process. It is felt that, while centralisation may have had economic advantages in the past, it is now putting unacceptable constraints on public service managers at every level. The primary objective of the modernisation strategy is thus to decentralise power and responsibilities and establish new forms of supervision and contractual arrangements between central administration and local agencies.

From the outset, the General Directorate for the Administration and the Public Service did not favour setting up a central official consultancy service for the whole administration, although the Directorate remains the central supervisor and co-ordinator of the whole modernisation process. Every government department and state agency is free to decide how to use internal consultancy services and to organise them as it sees fit. Among other things, each institution has to decide whether to set up a unit solely at national level, as the Ministry of Justice has done, or to create regional and departmental units as well as a national one, as is the case of the Ministry of Education, which alone employs 1 million people.

Consultancy units are not attached to the same administrative division in every ministry, but their roles are similar: they are there to assist the implementation of the specific modernisation objectives of their particular organisation. They are usually brought in by managers of operational units (administrative services or state agencies at central or local level) who want to introduce reforms, whether in the form of departmental projects, comprehensive retraining programmes or major reorganisations. The consultants plan and propose ways of analysing existing situations and formulate action plans that are then discussed in detail with the directorate concerned as well as with staff representatives and the employees directly affected. Consultants have no power to enforce their recommendations; they can do no more than exert influence on occasion by granting or withholding special appropriations for training or other activities.

Ministries are currently examining ways and means of monitoring and evaluating the work of their internal consultancy units, but few have made much progress in that direction. There are a few ministries where private consultancy firms are allowed to compete with the in-house unit for certain projects, but that is rare.

As a general rule, consultancy staff are recruited from within the ministry in which the consultancy unit is located. The General Directorate for the Administration and the Public Service recommends that those selected for consultancy work should be given thorough training. There are a number of in-house training services, private organisations and universities which provide this type of training.

The costs of in-house consultancy units are entirely borne out of the operating budgets of their respective ministries and agencies. The costs of implementing reforms are another matter. The General Directorate for the Administration and the Public Service has a modernisation fund for assisting administrative departments that wish to modernise their operations but whose ministries lack the financial resources required.

IRELAND

In the Irish administration, the Civil Service Training Centre (CSTC) provides consultancy services for organisation development, while the Management Services Unit (MSU) is responsible for services such as manpower and grading surveys and efficiency and effectiveness studies. Both units are part of the Department of Finance, but the MSU's consultancy services are far more developed than those of the CSTC. Whereas the MSU concentrates on the structural aspects of state institutions, the CSTC is more focussed on the "people aspects". The two will be required to co-ordinate their activities increasingly closely as the CSTC develops its organisation development activities.

The organisation development (OD) concept calls for top management in individual departments and agencies to identify their organisational aims and objectives and formulate appropriate strategies for improving their overall efficiency and effectiveness. The CSTC plays the role of facilitator for departments that wish to solve specific
organisational problems. It provides training and development in areas of common need and where central provision is more efficient and economic. Its staff is recruited on a secondment basis from across the civil service. Its work is regarded as consultancy since it is undertaken on an ad hoc basis and at the request of the client.

The CSTC provides its services to all departments interested in the OD approach, and its work is often a result of contacts with top departmental managers who have attended the Centre's training conferences. The unit selects the projects it undertakes on the basis of criteria such as the scope and size of the project and the availability of staff and resources at the time. The CSTC also markets its services by issuing an annual programme.

The CSTC usually starts by holding detailed discussions with top management in the client department to clarify the overall nature of the project, and follows those up with interviews with the main individuals involved to identify the particular issues raised in greater detail. That results in the planning of a programme or event, which normally lasts two to three days and is generally held in a residential setting away from the client's offices. The work is organised on a team basis involving close collaboration between the client's staff and the consultants, so that the solutions proposed are essentially generated by the clients themselves. As a result, the proposals have a better chance of being accepted and implemented by the organisation. The CSTC itself plays no role in the implementation of the solutions arising from an OD event.

The outcome of the project is evaluated by the client and on the whole feedback has been very positive. Although it is difficult to evaluate this kind of work, the ultimate criterion of success has to be an improvement in staff performance or in the overall performance of the organisation. It has become normal practice for a review meeting between all parties concerned to be held within one year of the completion of a project to assess progress made since the main event took place.

The CSTC does not compete with private consultancy firms, since it does not tender for projects but discusses them directly with clients. However, government departments are free to hire outside consultants instead of using the services of the CSTC. Up to now, the CSTC has not found itself in a position where it needs to co-operate with an outside consultancy, but it has on occasion asked the Institute of Public Administration (a separate state agency) to provide it with special skills not available in the CSTC and has done likewise for the IPA.

The CSTC does not charge a fee for its services. It is entirely financed out of the budget of the Department of Finance.

THE NETHERLANDS

The central government in the Netherlands has two institutes that undertake consultancy work of one kind or another. The first is RPD Advies, which was formed in 1990 as a result of the merger of the Government Psychological Advisory Service and the Advisory Centre for Management Development, both of which were attached to the Ministry of Home Affairs. The other is the Central and Local Government Training College (ROI), which is part of the same Ministry.

RPD Advies not only works for central and local government but may also undertake projects for the private sector. Nevertheless, its primary task is to provide support on request to individual ministries and other parts of the administration which are responsible for their own management development and staff training. The public service clientele comprises 13 central government departments, 12 provincial governments and several local authorities.

RPD Advies is divided into two divisions, one for personnel selection and one for management and career development. The services it provides include psychological testing, the development of psychological instruments and advice on redeployment, as well as other services related to personnel selection and management development. It obtains work in three ways - active implementation of the human resources management policy of the Ministry of Social Affairs, long-term contracts with state institutions, and canvassing.

The unit's objectives, strategy and success factors are expressed chiefly in terms of output, although process evaluation methods are also used sometimes. The quality and effectiveness of its work is evaluated by its own product managers, but the successfullness of a project is determined in consultation with the client (unless there is a numerical measure of the results, such as the number of Dutch personnel placed in international organisations by its international
civil servants unit). The unit operates solely on a voluntary basis and may refuse jobs if it sees fit. At the same time, state institutions are not obliged to use RPD Advies; they are free to do business with outside consultancy firms if they prefer. Hence, RPD Advies may have to compete with private firms for business within the state sector.

The advantages of having an internal consultancy lie in its specific knowledge of the administration and its ability to establish and maintain both formal and informal networks. On the other hand, in-house consultants tend to reinforce the existing culture of the organisation, and they are not necessarily cheaper than private consultancy firms. RPD Advies ensures its independence by the professionalism of its approach and the quality of its work, although its clients have considerable influence over the services it provides and the solutions it advocates. The revenues it earns in the future will also be a key factor in determining its degree of autonomy.

RPD Advies does charge fees for its services, but at present they cover only a small part of its costs. In 1991, 80 per cent of its funds were provided by the Ministry of Home Affairs. The aim is for the unit to break even by 1994, at which point the Ministry’s contribution will be reduced. Its fees for consultancy services and participation in training courses are already set on the basis of current market prices, but they will never be fixed at levels higher than those necessary to cover costs. It is not designed to become a profit-making business.

SPAIN

The Spanish Ministry of Public Administration has a consultancy unit called the General Inspectorate of Public Administration Services (IGSAP), whose task is to "draw up and carry out annual projects aimed at simplifying the administration’s procedures and working methods and standardising/rationalising its management." The unit has developed a system of "Operative Service Inspections" (OSIs) designed to adapt techniques used in the private sector to the culture and conditions of the public sector. Although consultancy work and training are seen as separate activities, IGSAP has assumed responsibility for training and develops specific products to respond to needs identified in the process of its OSIs.

The unit is divided into three main departments. The Inspection Service is in charge of the conduct of OSIs; the General Sub-Directorate for Procedures and Management Rationalisation is responsible for putting the conclusions and recommendations contained in OSI reports into practice; and the Centre for Administrative Information has the job of informing the public at large. In addition to this central unit, every government department has a General Service Inspectorate that carries out consultancy work to some extent. The departmental inspectorates are supervised by IGSAP through a Co-ordinating Commission, which lays down annual priorities for inspection work and makes general recommendations for improving the administration’s effectiveness and simplifying its procedures.

IGSAP is also the only state agency to have absolute authority to investigate alleged conflicts of interest on the part of public servants or political appointees. This dual vocation made some clients reluctant to use IGSAP as a consultant to start with, but now they distinguish clearly between its role as an enforcer of the law and its management consultancy work.

IGSAP serves all the 142 General Directorates and 676 General Sub-Directorates in central government departments. It is also developing its contacts with other arms of the public administration, mainly local authorities and provincial branches of government departments. A number of local administrations have signed co-operation agreements permitting them to benefit from IGSAP knowhow, and IGSAP has carried out consultancy projects for a few of them.

IGSAP selects the projects it undertakes from the requests it receives. It markets its services by making annual presentations to department heads throughout the administration. At the same time, IGSAP may offer its services in an advisory capacity on the basis of information about how a particular service is operating. But that does not rule out the possibility of the unit being assigned a project directly by policy-makers in the Ministry of Public Administration if they feel it to be especially important. The objectives of each project are drawn up by mutual agreement with the managers of the service or organisation concerned. The criteria of success are derived from the project objectives, and indicators are established as regards both the execution of the project (management indicators) and the benefits of implementing its recommendations (performance indicators). IGSAP also evaluates its work by applying its own efficiency indicator to measure the extent to which its recommendations are implemented and by periodically reviewing the effectiveness of its OSI method.
IGSAP prefers to work on a project basis within administrative units, studying practical procedures that are important for the organisation to attain its overall objectives. However, it does sometimes conduct broader studies of entire organisations, using either creative techniques (such as representative group analysis) or analytical methods (such as organisational analysis system). Some cross-analysis of reports is also done to produce horizontal conclusions of interest to a wide area of public administration, which may indicate a need for strategic reform.

That familiarity with the public service environment as a whole is one of the main advantages of an internal consultancy service. The fact that consultancy staff are public servants and share the same culture and principles makes it easier for them to communicate with other government officials and secure ready acceptance of their recommendations. An internal service is also better placed to adapt methods used in the private sector to the government environment. On the other hand, few public service officials are qualified management consultants and the productivity of the internal consultancy service is lower than that of a private sector firm. All IGSAP’s staff are public servants, albeit with a wide variety of educational backgrounds, and some pursue a career in the unit.

IGSAP does not compete with private consultancy firms, although some projects that were due initially to go to private firms have gone to IGSAP instead. In one instance, the change came about after the client discovered that there was a government consultancy which could handle the job, and in the second case IGSAP was preferred because the project touched on a sensitive, highly conservative area where it was thought that resistance to reform would be reduced if the consultants came from within the public service. IGSAP has never contracted work out to the private sector, but it does use private firms for regular training of its own staff and for obtaining technical knowhow.

IGSAP is financed entirely out of the budget of the Ministry of Public Administration. It does not charge a fee for its services; since it is not an autonomous body, it is not authorised to do so. However, when IGSAP carries out projects for local authorities or other organisations in the provinces, the clients shoulder travel and other incidental costs.

SWEDEN

Sweden’s Institute of Public Administration (SIHU)*, the state agency for the development of government organisations and personnel, is a consultancy and training service whose main task is to promote and assist efforts to enhance the quality of public services and the efficiency of central and local government. It encourages innovation in the development of organisational structures and working methods, operating in response to the demands of its clients and in accordance with government policy. In addition to its consultancy activities, it holds training courses, organises conferences and seminars, and provides individually tailored training packages.

Its activities range from needs analysis and studies of professional competence and skill development to contact and co-operation with other public development agencies, assessments, and the language used in public administration. Its recent projects have covered many aspects of public service management, including equality of opportunity, guidelines and training in the use of language, development of IT skills, training of supervisors, management recruitment and training, and export promotion measures. SIPU also produces books on consultancy, management and administrative reform; its recent titles include "Consultancy Techniques for Implementing Change", "Effective Performance in Project Management" and "Problem Solving - a Primer".

The unit’s work contributed to a wave of innovation in public sector management in the 1980s, when it supported the introduction of new ideas and new ways of organising work and responsibilities. In the Swedish public service, the decade was characterised by a shift from a bureaucratic culture to a market-oriented approach, the introduction of management by results, decentralisation, the development of leadership, and the use of processes for organisation and operational development. Through the 1990s SIPU plans to continue testing new organisational forms and systems solutions, develop market-adapted methods for control and planning, and put greater emphasis on the development and dissemination of knowledge in areas like management by results, assessment and computer support.

* Since this report was written, SIPU has been abolished.
UNITED KINGDOM

Most central government departments in the UK have consultancy services and are individually responsible for their organisation, structure and deployment. Consultancy units fall into three categories: those whose primary function is to assure top management and improve administration; those providing the specialist services of people like operational researchers, computer experts, accountants, economists and statisticians, who advise on the effectiveness of operations and programmes; and ad hoc task forces set up to undertake specific reviews, including efficiency scrutiny.

At the centre of government are two organisations responsible for the efficiency of the administration. One is the Efficiency Unit in the Prime Minister’s Office, a small unit with a high proportion of staff seconded from the private sector, which supervises studies in individual departments and carries out reviews of functions and systems that are common to all departments. The second organisation is the Specialist Support Group (SSG) in the Treasury, which comprises accountants, operational researchers, management services personnel and staff inspectors. In its consultancy role the SSG has three main functions: to advise and support other Treasury divisions, both for in-house work and assignments in other government departments, sometimes in conjunction with departments’ own consultancy units; to provide consultancy services to organisations without their own units or whose in-house units lack particular skills or experience; and to play a leadership role within the community of consultancy staff throughout central government, setting standards, disseminating good practice and monitoring the performance of departmental consultancy units.

Most governmental organisations have Staff Inspection and Management Services departments dealing with the implementation of government policy. Their consultancy work focuses on resource allocation and staffing levels, and they tend to concentrate on output and performance measurement and target setting. Separate Information Technology units provide in-house expertise on computerisation and telecommunications, although as a result of the widening impact of IT systems on management and organisation as a whole, some IT experts are now to be found in consultancy units. There is also strong and growing demand for accountants to develop new financial control and budget management systems, but they are almost exclusively confined to finance and accountancy departments.

The internal audit function is generally quite separate from consultancy. However, insofar as these units not only report on the effectiveness of internal control systems and the proper and efficient use of resources but also make recommendations for improvements, there is pressure in some departments for them to play a broader advisory role. Nevertheless, the general view is that it would be difficult for internal audit departments to preserve their independence if they became too closely involved in consultancy work.

Consultancy services proper are carried out at three levels. Staff inspection consists essentially of centrally imposed reviews of individual organisations, or parts of them, to ensure that resources are being used properly. Similar reviews are also carried out on a consultancy basis to provide advice to line managers. The Treasury’s Specialist Support Group also undertakes some projects at the request of clients in other departments as well as those it initiates itself. But all its work is done in support of Treasury objectives like controlling public expenditure and obtaining greater value for money. Hence, the Treasury owns the resulting reports and negotiates their implementation with the organisations concerned. Finally, management services units act as consultants on functional, procedural and organisational questions. They draw up their plans of activity in the light of requests from line management as well as of their own views about problem areas. Both management and staff in the client department are kept informed and involved to increase the probability of recommendations being successfully implemented. Reports are increasingly seen as confidential to the client, a trend that is reinforced by the development of internal charging for services.

Evaluating the effectiveness of these different consultancy services is rudimentary at present, and the SSG is now developing better ways of measuring their work. Meanwhile, the best indicators of the value of consultancy services are client satisfaction and full order books. At the same time, the rate of implementation of recommendations and the ratio between project costs and the savings obtained are used as performance indicators.

Government departments are free to use private consultancy firms, especially where the skills required for a project are not available in-house, but normally outsiders are only brought in on an ad hoc basis for one-off projects. Private sector consultants can bring fresh ideas and a different perspective as a result of their experience in other sectors. Moreover, if they possess particular expertise, external consultants may be contracted to work on projects alongside internal consultants, transferring their skills in the process. The Specialist Support Group rarely sub-contracts
to private firms or universities, but does occasionally co-operate with outsiders in the development of techniques and methodologies. On balance, internal consultancy units are cheaper and their deeper knowledge of the organisation means they can work more effectively with management to find acceptable solutions to problems, although there is a danger that they may become insular and unimaginative. It is also a great advantage that the considerable information acquired by consultants over time be stored in-house.

Nevertheless, the use of private consultants has increased considerably in recent years, partly as a result of government policy to contract out to the private sector but also because of increased demand for work at a higher, more strategic level, where internal consultants have not yet developed sufficient expertise. As more in-house units charge for their work on a full cost recovery basis, competition with private consultancy firms is likely to increase. Line managers with their own budgets will assign contracts to whoever offers them the better value for money.

The funding of in-house consultancy services is the same as for other parts of central government. Units bid for resources within their own organisation, and top management allocates them on the basis of the organisation's overall priorities. Some consultancy units are beginning to operate on a cost recovery basis, or plan to do so. One department has already started charging for its services and a number of other organisations are considering that option. Fees are charged at a daily rate on a full economic cost basis.

UNITED STATES

The organisation that plays the role of administration watchdog and reformer in the United States is the General Accounting Office, which reports to the legislature (Congress), not to the government. The GAO was created in 1921 to audit and evaluate federal government programmes and activities; it currently has a staff of about 5,000, half of whom are based in Washington, D.C. Its vocation is to provide Congress (and the public) with detailed analyses of organisations and their working methods, and make objective recommendations for improving the effectiveness and efficiency of the administration. Over 70 per cent of the GAO's recommendations are adopted within a four-year period, and its studies help federal agencies make savings of billions of dollars every year.

In addition to its regular assessments of spending programmes, a few years ago the GAO started carrying out general management reviews (GMRs) of the overall conduct and organisation of federal agencies' activities. A key objective of GMRs is to impress upon agency heads in the executive branch the importance of administrative reform. In addition, these reviews provide Congress with a broad perspective on how well top executives are managing their agencies.

While regular audits and evaluations are carried out at the request of Congress, the GAO normally initiates GMRs itself, addressing broad issues like strategic planning and human resources management. These reviews depend to a large extent on the co-operation and support of agency heads, especially as commitment from the top down is needed to secure the introduction of what may be fundamental changes in how an agency operates. The scope of reviews depends on the number of issues identified, but they generally seek answers to the following questions: - Does the head of the agency have effective processes for formulating policy, taking new initiatives and putting them into practice? - Is there an appropriately structured organisation in which the individual accountability of key officials is clearly defined? - Is the agency head receiving adequate information about what is happening in the organisation? - Are the administrative, financial, IT and other support systems functioning effectively in support of agency programmes?

Management reviews fall into two categories: line agency reviews, which study the management practices of individual agencies, and central management agency reviews, which examine the role and performance of the three agencies responsible for taking the lead in general functions such as procurement, personnel and budgets. Nowadays, GMRs are being more finely targeted to focus on the one or two most critical management problems of the moment. That enables useful reforms to be recommended and introduced as quickly as possible. The most common recommendations emerging from GMRs are basic management precepts relating to problems such as: poor leadership arising from high turnover and weak managerial accountability; the lack of strategic planning systems; longstanding deficiencies in information resources management, financial management and internal controls; and the need for greater attention to be paid to the recruitment and training of managers.
Agencies are not required to implement recommendations, but they are required to report to Congress on both action taken and action not taken. All in all, organisations have responded positively, most of them developing detailed corrective actions plans spanning several years. Top agency managers are keen to implement GAO recommendations because they know the changes proposed will improve their agency's operation...

The GAO remains convinced that its management reviews make a valuable contribution to improving the management of federal agencies. Although airing their problems in public has its risks, it also has benefits. A better understanding of the context and conditions in which government agencies have to operate can help political leaders achieve their objectives. The GAO does not charge for its work, which helps maintain its independence. The biggest contribution of GMRs is to provide a long-term approach for improving an agency's operations, especially as the GAO follows up its reviews periodically. Wherever there is the possibility of making savings or using resources more efficiently through improved delivery of public services or organisational reform in federal institutions, the GAO aims to conduct GMRs to identify the main problems and propose solutions.
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The Public Management Service (PUMA) supports OECD countries in developing systems to achieve cost-effective and responsive public policy and enhanced public sector efficiency. PUMA surveys, analyses and reports on public management developments, and provides a forum for Member countries to exchange ideas and strategies.

The *Occasional Papers on Public Management*, launched following the establishment of the Public Management Committee in 1990, include short reports prepared as contributions to the Committee's work. The papers focus on specific aspects of administrative modernisation, such as budgeting, human resources management, regulatory reform and the use of information technology.