

Improving Care, Reducing Cost

Helping the NHS meet its
21st century challenge



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The Management Consultancies Association (MCA) is the representative body for management consultancy firms in the UK. Our sixty member companies comprise around 70% of the UK consulting industry, estimated to be worth £9bn in 2008, employ more than 40,000 consultants and work with over 90 of the top FTSE 100 companies and almost all parts of the public sector.

The MCA's tough entry criteria and rigorous Code of Practice mean that MCA member companies are widely acknowledged to provide high quality services to their clients. Many of their achievements are recognised in the annual MCA Management Awards and the Consultant of the Year Awards.

The MCA informs and influences public debate on topical issues, and provides authoritative data on the industry. It commissions research and policy analysis and represents the industry in discussions with Government and other stakeholders. The MCA also facilitates networking and the sharing of best practice within the industry through events, publications and initiatives such as the Young MCA.

FOREWORD



The debate about the future financing and organisation of the NHS is taking off once again, fuelled by the forthcoming general election, concern about the UK's record budget deficit, nagging worries about quality and, curiously, controversy in the United States about their own health care system and President Obama's reforms.

One theme in the UK, picked up and exploited by organisations such as the British Medical Association and Royal College of Nursing, is the role of external management consultancies. Dr Peter Carter of the RCN has described NHS spending on management consultancy as 'utterly shocking'. A Commons Health Select Committee report recently recommended that the Government establish a central list of all the consultancies used by the NHS and the projects that they have worked on.

The Management Consultancies Association (MCA) supports this proposal from the Select Committee. We represent many of the consultancy firms who will be on this list.

To compile *Improving care, reducing cost*, we asked our member companies to explain the work that they do with the NHS; why they believe this work is valuable; and how it fits with a future for healthcare that, everyone agrees, needs to deliver high quality care at a cost that the UK taxpayer will willingly pay. Our members are rightly proud of the achievements set out in this report, many of which delivered savings and efficiencies far in excess of the cost of the consultancy.

We have also analysed the NHS's spending on management consultancy; it represents less than a third of one percent of the total budget, and roughly a tenth per employee of equivalent expenditure by large organisations in the private sector. Whatever else they might do, cuts in NHS spending on management consultancy will make no serious impact on its outgoings.

And we have asked whether the NHS could gain still better value for money from consultants. We look at the separate role of interim managers, and the potential for increasing "payment by results" for consultancy.

Critics of the government's approach to the NHS dismiss consultancy as part of a 'commercialisation agenda' or as a Trojan horse for privatisation. As the analysis in this report demonstrates, they are barking up a barren tree. Greater use of contestability and competition can help to drive up standards and efficiency within the existing model of the NHS; and the NHS, like any other organisation, should have the freedom to access the best experts and skills that are available to help deliver the best possible performance.

The public and political consensus in favour of an NHS on the current model, largely funded by taxation and largely free at the point of delivery, remains strong. As taxpayers and citizens as well as health experts, the vast majority of management consultants share in this consensus. But we also believe that more can be done to improve care for patients, raise productivity and increase efficiency.

There is no shortage of good ideas; but it will often take strong partnerships between the NHS and management consultancies to ensure that they are delivered. Taxpayers rightly demand high-quality services and value for money. Those who attack the role of management consultants would deny them both.

Alan Leaman

Chief Executive
Management Consultancies Association
September 2009

“We have one of the best health services in the world but no organisation of this magnitude or complexity can change itself. There are plenty of projects within the NHS which simply wouldn’t have happened without the use of management consultants.”

Mike Hay, Hay Group

Improving care, *reducing cost*

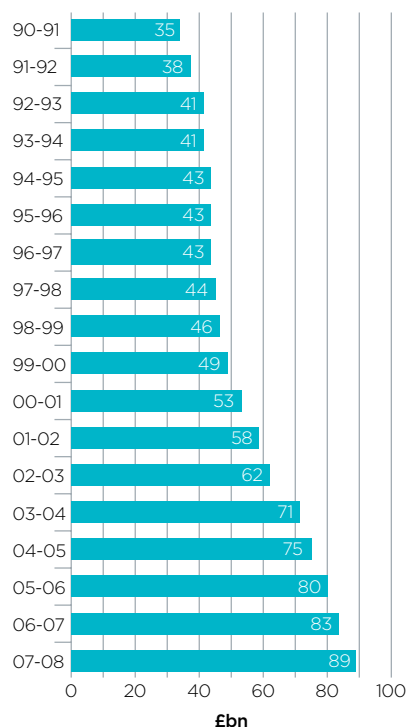
An evolving service

Unprecedented increases in NHS funding over the last decade (Figure 1) have led to significant improvements in the quality of patient care and a closing of the gap between supply and demand. Over the last sixty years, NHS spending has grown as a share of national income from around 3% in 1950 to nearly 9% today.

Underlying productivity has, however, proved harder to increase: indeed, analysis by the Office of National Statistics in January 2008 suggested that productivity in the health service had actually fallen by 2.5% on average between 2001 and 2005¹. Not surprisingly, therefore, Government initiatives to give patients a greater say in the care they receive and to improve the quality of that care have been accompanied by measures that are aimed at driving up efficiency.

Central to the former has been the Darzi report (2008)² which outlines plans for a service in which staff are empowered and patients increasingly able to choose. Crucially, it marked the end of a decade of reform which was focused primarily on increasing capacity, in favour of an approach which promotes higher quality and more personalised services.

Figure 1 Total net NHS expenditure in 2007-08 prices



Source: <http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090112/text/90112w0036.htm>

¹ http://www.statistics.gov.uk/articles/nojournal/HealthCare_290108.pdf

² High Quality Care for All. NHS Next Stage Review Final Report

“World-class commissioning represents a shift in the entire market, with power moving from the Department of Health to Strategic Health Authorities and Primary Care Trusts. Its ramifications for the way services are provided are just enormous, and come at a time when there’s huge pressure to demonstrate tangible progress. One response has been that more NHS managers are looking to work with supply chain management and procurement experts.”

Romy Nash, AMTEC Consulting

“Reform hasn’t been driven by consultants. It’s the means by which the Government wants to improve patient care.”

Jago Atkinson, Mouchel

Most significant among the efficiency measures was the launch in 2007 of the World-Class Commissioning programme: “a multi-faceted process that aims to ensure that the purchasing of services on behalf of a population is based on an analysis of local health needs”, according to The King’s Fund³. Still in its early days, many remain uncertain about its practical implications for trusts and health authorities.

Underpinning these changes has been the gradual shift towards managing the NHS on a new basis, with consideration of costs and the allocation of resources sitting alongside, but not displacing, clinical decision-making. Unfortunately, the introduction of more competition and contestability is often viewed by its critics as creeping privatisation and therefore something to be avoided and resisted at all costs. The irony is that we have more than 130,000 GPs who already effectively run their own businesses. These reforms are not a back door through which private sector suppliers gain access to the NHS but are predicated on the belief that an element of competition will improve the quality of care and help to drive down costs. Most of us would recognise the role competition plays in keeping our weekly shopping bill low, yet many are apparently unwilling to countenance it within the NHS.

The public also expects the health service to run itself with minimum expenditure on management: every penny not spent on front-line patient care is perceived as an insult to us as taxpayers. But the NHS dwarfs all private sector companies. The NHS employs approximately 1.4 million people; Marks & Spencer employs 68,000 and has around 500 stores. If M&S was the same scale as the NHS, it would have roughly 9,000 stores. Do we really think that even the excellent shop-assistants M&S employs would be capable of running all those stores with no management intervention whatsoever? Scale and complexity require leadership and management if they are not to dissolve into chaos and inefficiency.

More than 130,000 GPs already effectively run their own businesses

The NHS employs approximately 1.4 million people

³ http://www.kingsfund.org.uk/research/projects/building_worldclass_commissioning/

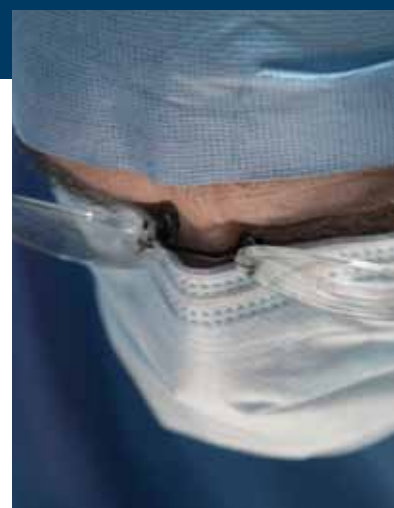
“In many hospitals, operations mainly take place on weekdays between 9am and 5pm and the busiest day for admissions for surgery is Monday. In any other sector, you wouldn’t manage capacity in this way.”

Alan Russell, Change Management Group

“In the current economic climate, the NHS is a £115 billion a year organisation that has the potential to cause severe financial pressure on the UK economy.”

Alpesh Patel, Ernst & Young

The managerial input needed by the NHS, from both the private sector and other parts of the public sector, breaks into two groups. New initiatives require specialist skills from people who are experts in a particular field, often from outside the health service. However, the Service also needs high-calibre managers for its day-to-day operations. Much publicised figures for the rise in the number of managers within the NHS belie the problems it has encountered in gaining access to both these types of resources. Specialist skills are necessarily scarce and often expensive, but there has also been a widespread reluctance to offer the salaries that are required to attract good middle and senior managers. Moreover, much of the initial rise in the need for specialist and managerial staff took place at a time when the Government was moving people out of London and trying to keep staff numbers low overall. Management consultants were often used to fill the gap, offering expertise on a short-term, flexible basis.



What are management consultants doing in the NHS?

The NHS has not called on management consultants simply to fill a shortfall in its resource requirements. Used wisely, consultants help organisations to do things which they could not do for themselves: they bring specialist expertise; they provide access to knowledge and lessons from other organisations and sectors; they help people stand back from fixing short-term problems to identify long-term solutions; they are independent and objective, unencumbered by internal politics.

What follows is a collection of real life examples of what consultants can help the NHS to achieve in improving care and reducing cost.

The NHS has not called on management consultants simply to fill a shortfall in its resource requirements

Case studies

Applying 'Lean' principles to improve productivity

Some people associated with the health sector think that the best way of making clinical staff more efficient is to reduce the amount of time spent with patients. Of course, this reduces the quality of patient care without necessarily improving efficiency. Lean-quality thinking, which has its origins in the manufacturing sector, focuses on taking out the 'non-value-added' elements of health care processes – the amount of time wasted in the period between seeing patients because of inefficient support processes, in scheduling work, in stock rooms and other areas. This approach isn't about shaving five minutes off the time a nurse spends with each patient, but reducing the time between seeing patients owing to inefficient ways of working. There is also quite a lot of improvement opportunity in reducing the variation in the ways clinical processes are carried out, so there is more consistency and a patient-centred delivery of quality services. Our role has been to help managers and clinicians in health care trusts adopt this kind of thinking: the cost/benefit analysis for this kind of work is so impactful, it's a no brainer.

John Oakland, Oakland Consulting

Making NHS Direct more effective

We've worked with NHS Direct to help develop their triage system from a telephony offering to an integrated online service via a range of self-assessment tools. The aim is to provide people with suitable healthcare advice, to connect them to an appropriate specialist and reduce the public's tendency to rely on A&E. One of the challenges here was not that the skills required to run such a process effectively were lacking, but that the people involved were used to working compartmentally. The nurses working on the assessment process were based in one part of England; the editorial team providing the content were based somewhere else, and so on. We helped them overcome these divisions in order to develop a cohort of five pilot self-assessment tools (from a total of 40 that will eventually be launched). The first pilot launched – Colds & Flu – was subsequently adapted to handle Swine Flu concerns and resulted in a five-fold increase in the number of people using this particular symptom checker. If that many people had gone through the telephone triage service, it would have overwhelmed the system.

Charlie Young, Digital Public

Sugar-coated medicine: Saving the NHS £2.5bn on prescriptions

Deloitte has helped the NHS save £2.5 billion over the last five years, primarily through restructuring major elements of the NHS supply chain, including medicines. Medicines account for a third of all money spent by PCTs: working with the Department of Health we used various analytical and benchmarking techniques to gain better insight into the prices the NHS was paying against those in other health services, identifying where greater efficiencies could be achieved. We then worked with NHS managers at all levels to develop strategies for managing the medicines supply chain better. Money saved in this area goes directly into improving patient care.

Dean Arnold, Deloitte

Better pathways to patient care

We were commissioned by the Department of Health to work with three PCTs to see how best they could reduce costs whilst improving quality of care and patient satisfaction. Our work centred on improving “care pathways”, i.e. the different stages of treatment and care that patients with a particular condition receive, and finding ways to create shorter, better pathways that bring patients out of hospital quicker, or keep them out of hospital in the first place. The specific improvements that we have helped the PCTs design and implement will save each PCT hundreds of thousands of pounds each year for each of the 3 pathways. These are improvements that can be replicated across other pathways and by other PCTs. Putting this into context – when you consider there are 152 PCTs and 340 care pathways, the quality improvement and cost reduction opportunities across the NHS are enormous.

Julian Trent, Avail

Innovative solutions to reduce missed appointments

We've been working with several mental health trusts to help them improve patient experience from the beginning to the end of their treatment. An obstacle one trust faced was the high number of substance misusers who weren't turning up for appointments, wasting huge amounts of time and resources in the process. We used our experience in researching consumer products in the private sector to run a series of focus groups among substance abusers. One of the solutions really surprised us and the staff. That was to install dog kennels at the outpatient clinic: many of these patients are living rough and for them their only social bond is with their pets and it emerged that they were very worried about them being looked after and being kept safe while they went for an appointment. After the kennels were installed, attendance rates went up dramatically. Someone said to us, this is so simple, why didn't we think of this for ourselves? One of the ways consultants can help is to support clients in being more creative and thinking outside the box.

Andy Mullins, PA Consulting

Supporting IT change across the NHS

Consulting is a small component of the National Programme for IT in London. Our role is to work with Trusts to help them manage the changes to the way people work which the new technology will inevitably introduce. The focus is to ensure that the changes deliver improvements in how care is managed and delivered. Different NHS Trusts work differently: a hospital in London might integrate the new systems into their existing processes one way while a hospital in, say, Nottingham does it another way. This means that we have to work very closely with management and clinical staff involved, help them design the changes and transfer our experience in change management so they can carry on once our work is done. Trusts have to change themselves, but what we can do is help kick-start and support the process.

David Hack, BT

Making all schools ‘Healthy Schools’

Healthy Schools is a joint venture between the Department of Health and the Department for Children, Schools and Families and is supported by Mouchel. More than 99 percent of eligible schools nationally are now involved in the programme and 80 percent of schools have achieved National Healthy School Status. This means more than four million children are attending a Healthy School. Healthy Schools is managed by a national team within the Department of Health. Mouchel's role is to provide independent expertise and support as well as to help continuously improve the service provided to the nine regional government offices, and through the Healthy Schools local programme, coordinators at a local authority level. September 2009 will see the 10th anniversary of Healthy Schools and the launch of the new enhancement model which will help embed healthier behaviours and wellbeing outcomes into the everyday activities of school life.

Mark Horncastle, Mouchel

Improving the patient's hospital experience

What happens to a patient on a hospital ward makes a profound difference to that individual. As well as the patient themselves, it affects the wellbeing of their friends and family, and the reputation of a hospital stands or falls by what patients experience. The ward manager role is critically important, acting as the frontline management role for the largest group of staff in the NHS. We carried out some research for the NHS which showed that the behaviour of ward managers is one of the principal factors in driving patient experience. High-performing ward managers achieve 36 percent lower staff turnover and a 57 percent reduction in absenteeism, compared to their low performing peers. Critically, drug errors were 40 percent lower under the guidance of high performing ward managers. Potentially life threatening drug errors were more than 50 percent higher for low-performing ward managers. Our work has helped the NHS identify ways to improve the performance of ward managers, and that has had a direct impact on the care patients receive.

Mike Hay, Hay Group

Making polyclinics a reality

Polyclinics are a good example of an initiative the NHS is pursuing to transform its services. By changing the way services are delivered and moving some out of an acute setting, we should end up with higher quality care delivered at a more affordable price. But completing the transition and realising the benefits will require five years of sustained project management because so many interconnected processes have to change and so many people, including the public, have to be won over. We've been working with two of the early implementer PCTs in London to establish their first polyclinics and plan the full transition journey.

John Higton, Berkeley Partnership

Quality assurance in the NHS

Right Management is working with the NHS Institute for Innovation and Improvement, a relationship that was established in December 2003 with regards to the design and delivery of the 360° feedback assessment tool linked to the Leadership Quality Framework. Since its launch in April 2004, over 12,500 participants from all 10 strategic health authorities have used the 360° feedback assessment. In addition, over 1000 feedback facilitators have been trained by Right Management. We are currently implementing a new quality assurance process for feedback facilitators and trainers and are working to analyse 360° data to help the NHS identify ways of using the results and lessons learned to shape future interventions.

Lisa Stone, Right Management

“If you look at the commissioning agenda, for example, many NHS organisations find it difficult to identify and deliver the skills and data required to implement the changes required. There’s a significant lag, therefore, behind the policy intent and delivery within the service.”

Mark Horncastle, Mouchel

“The NHS isn’t an organisation; it’s a nation-sized enterprise consisting of hundreds of multi-million pound organisations.”

John Deverill, Finnamore

Why can’t the NHS do these things for itself?

There are several underlying reasons why organisations in all sectors make use of consultants. Business, the workplace and technology are all becoming more complex and it frequently makes economic sense to bring in specialist expertise on a short-term basis. It would not be reasonable for the NHS, any more than it would for a bank, to recruit fulltime employees to help set up secure email systems, to design a new online channel or to benchmark itself against best practice elsewhere.

These are discrete projects that require specific input from experts. A PCT that hired fulltime members of staff to do this work would only find itself making them redundant a few months later.

As Steve Barnett, chief executive of the NHS Confederation, which represents 95 percent of NHS organisations, commented: “A number of major policies have been implemented in recent years to increase the effective running of the health service where it has been necessary for NHS organisations to procure outside expertise. The NHS is a large and complex organisation which requires management and planning like any other. Responding to major national policy changes often requires local planning and external advice and in many cases the use of this kind of expertise can help to drive down costs in the long-term.”⁴



⁴ <http://www.nhsconfed.org/PressReleases/2009/Pages/PCTs-responsible-for-most-NHS-funding.aspx>

“While the Darzi report is very good, changing the NHS is equivalent to turning around a tanker. Creating better performance metrics is part of the solution, but there’s a danger that you get good at being measured, not at performing.”

Alan Russell, Change Management Group

“There’s immense inertia within the NHS: you’re rewarded more for documenting a problem than fixing it. As consultants, our job is to enable our clients to deliver improved outcomes.”

Nick Cotter, Oakleigh Consulting

Management consultants are also helping the NHS to respond to some of the unique challenges it faces:

- While considerable effort has gone into attracting very high calibre senior managers into NHS organisations, there is still a shortage of people able to implement new initiatives and manage multidisciplinary projects in this rapidly changing environment. Project management in particular is often delegated to junior people who lack the relevant experience and training. The intervention of consultants here dramatically increases the speed of delivery and the chances of success.
- The sheer size of the NHS as well as its structure means that, while there are pockets of deep expertise and examples of high-performing units, it is often hard for the lessons to be applied systematically across the Service as a whole. Consultants, because they can take an objective, big-picture view, can help managers take better, more disinterested decisions and learn from others’ experience.
- Driving up productivity within the NHS depends on getting clinical and administrative staff to work effectively together, and consultants have been helping to bridge the gap between these two. The problem starts at medical school where clinicians are not trained to be managers. But it is endemic within hospitals and PCTs, meaning that clinicians rarely understand – or want to understand – the cost implications of their decisions and that the allocation of resources is therefore often decided by managers who are themselves not equipped to judge the clinical implications.

*Helping the NHS
to respond to some of
the unique challenges
it faces*

Faced with such issues, a private sector organisation would have simplified its business and structure, and hired new managers to run it – neither of which is open to the NHS.

“Good PCTs could come up with sensible answers to all the issues they face if they had the management bandwidth to do so and weren’t subject to a huge amount of interference. As outsiders, we can provide management with the bandwidth to develop and implement solutions more quickly.”

John Higton, Berkeley Partnership

“The size and complexity of the NHS mean that, while it is comparatively easy to optimise a single process in isolation, getting improvements across the whole - and deriving all the benefits - is very hard indeed.”

John Deverill, Finnamore

NHS spending on management consultancy

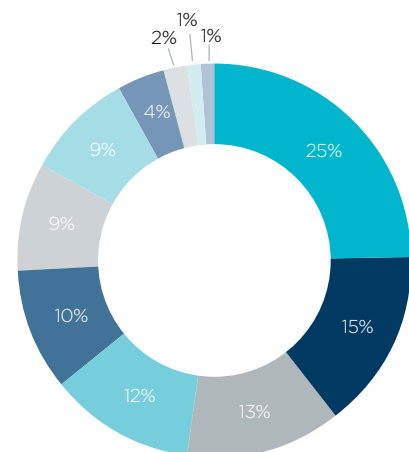
The MCA estimates that the NHS spent just over £300 million on management consultants in 2008, a figure that is comparable to that quoted by the Health Select Committee⁵, but significantly less than that quoted by many other sources, such as the Royal College of Nursing⁶.

The difference in figures may largely be attributed to confusion about what constitutes management consulting. Typically, figures from the public sector include fees paid to interim managers; those from the NHS often confuse management consulting with IT systems development in, for example, the National Programme for IT. This conveys a misleading picture – the level of involvement by management consultants is actually much lower than the general public believes.

£300 million equates to just over £200 each year per employee; a typical private sector organisation spends almost £2,000 per employee per year on consulting.

A frequent misunderstanding is that the money spent on management consultants could be redirected to front-line patient care. In fact, almost two thirds of all consulting work in 2008 (£198 million) was related to large-scale programmes, including project management, process re-engineering, IT consulting and change management (Figure 2). Around a quarter of all expenditure on consultants was spent on help in managing large-scale programmes, an area where, as the 2006 report by the National Audit Office on Central Government’s use of consultants acknowledged, the public sector is weak. This money could indeed be saved, but only if all the programmes themselves were stopped.

Figure 2 Breakdown of NHS expenditure on consultants by type of service



- Programme / Project Management
- Business Process Re-engineering
- IT Consulting
- Change Management
- Strategy
- Operations
- Outsourcing Advice
- Human Resources
- Financial
- Economic & Environmental
- Marketing & Corporate Comms

⁵ <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmhealth/28/2803.htm>

⁶ http://www.rcn.org.uk/newsevents/news/article/uk/nhs_spending_on_management_consultants_is_shocking

“There is a real difference between consultants and interim managers, although they’re often badged together. When the press refers to 200 consultants working in a particular area, very often only a handful of them are bona fide management consultants.”

Dean Arnold, Deloitte

“The work we do helps the NHS to do more for itself.”

Julian Trent, Avail

This leaves around £107 million spent on consulting work relating to the NHS’s day-to-day operations.⁷ Around £10 million was spent on strategic issues, in many cases helping Trusts and other institutions understand and adapt to new Government precepts. Similar amounts were spent helping the NHS be more productive and in identifying areas where non-core activities could be outsourced. The argument that all this money could be better deployed funding more beds and wards does not take into account projects like those outlined above where management consultants help organisations generate value far in excess of their costs.

That said, confusion about what consulting is has sometimes been matched by lapses on the side of consultants, who have not always measured or articulated sufficiently clearly the value they add and who have, in some cases, been willing to place individuals on long-term assignments which are not cost-effective from a client point of view. Both sides should work together to ensure that the input of consultants is used where it is needed – and not elsewhere.

There is a clear need to control and cut costs, and linked to this, to improve productivity. Equally there is continuing pressure to maintain and enhance services

⁷ These figures do not include spending on consultancy directly by the Department of Health. A recent Freedom of Information analysis suggests this was around £125m in 2008/09, but this included legal, financial and communications consultancy

“The funding gap is estimated to be between £15bn and £20bn. Delivering these kind of efficiencies in a sector where demand is hard to manage, public expectations remain high and quality cannot be compromised, will be the biggest challenge for health practitioners in the history of the NHS.”

Alpesh Patel, Ernst & Young

“The scale of savings is such that it’s hard for individuals to grasp. Some people understand the new world, but there are many others who are in denial.”

Nick Cotter, Oakleigh Consulting

Will the NHS’s use of consultants change in the future?

An ageing population, ballooning public sector debt, the plethora of changes already announced and ever-rising public expectations will result in unprecedented pressures on the health service. There is a clear need to control and cut costs and, linked to this, to improve productivity. Equally, there is continuing pressure to maintain and enhance services by:

- focusing on prevention before treatment
- improving patient safety and quality
- managing and improving performance
- using new technology such as telemedicine which will increase the extent to which patients can be cared for at home.

Procurement processes often fail to distinguish effectively between consulting and interim management services



“There’s a risk that the NHS will react to cost-cutting by trying to stay still, but that’s not realistic. There are too many changes from too many different directions and the only way to respond to that is by being more, not less, innovative.”

Charlie Young, Digital Public

As The King’s Fund observes, “Even under the most optimistic funding scenarios, the NHS will struggle to meet healthcare needs without significantly increasing productivity.”

Some key components of the response to this (such as World-Class Commissioning and other existing efficiency programmes) are already in the pipeline and their successful delivery over the next few years will be critical to long-term success. However, many people still fail to recognise the extent of the challenge involved and do not necessarily appreciate the extent of planning involved if the NHS is to make the most of this opportunity.

Squaring this almost impossible circle will ultimately require:

- Learning another lesson from the private sector - how to use a crisis as the catalyst for radical change
- Better capacity planning and use of resources
- Closing the gap between clinical and managerial staff so that decisions on the allocation of resources are taken jointly
- Stronger leadership at all levels within the NHS
- Better staff engagement - cutting costs while maintaining service levels depends heavily on the motivation of the people involved.

None of this will happen effectively without the intervention and support of management consultants.

“The NHS could take a more innovative approach to buying consulting services. Many organisations within the health service are trying to achieve similar things and there could be substantial economies of scale where PCTs or SHAs work together to procure and share knowledge and expertise. Innovative procurement should identify the outcomes required and explore partnering opportunities to drive value for the service.”

Mark Horncastle, Mouchel

Improving the use of consultants in the NHS

Faced with these prospects, and in the light of particular challenges, the NHS's use of management consultants is unlikely to decrease in the immediate future. The focus should therefore be on ensuring that it gets the best possible value from them.

The MCA believes that there are three things the NHS could do differently:

1. Reduce its reliance on interim managers

The resources the NHS requires to manage its business fall into three broad categories: fulltime employees, interim managers, and management consultants.

Like many other parts of the public sector, the NHS takes a long time to recruit people (whereas ministerial initiatives wait for no man) and finds it hard to attract people of sufficient calibre. It therefore makes substantial use of external labour, sometimes hiring back former employees on a temporary and more expensive basis. This problem is compounded by widespread confusion about the difference between interim managers and consultants, despite attempts by the National Audit Office and Office of Government Commerce to distinguish between the two. Interim managers fill a gap of months when a fulltime person cannot, for whatever reason, be found; typically, they cost less than consultants. Consultants, because they bring specific expertise, are more expensive and are primarily used for discrete projects. As a result, money is wasted on paying interim managers which could be better used to attract good permanent staff.



The NHS takes a long time to recruit people and finds it hard to attract people of sufficient calibre

“There’s lots of best practice and knowledge sharing around, but the sheer scale of the enterprise means that it’s hard to build consensus.”

Sunil Patel, Atos Consulting

“There’s been three years of thinking and developing world-class intellectual frameworks in the NHS, but the time for that has passed. We are now in an era where the NHS has to deliver in terms of quality, innovation and productivity. Expertise from management consultants can help in achieving tangible results.”

Dean Arnold, Deloitte

To resolve this:

- The NHS should change its recruitment policies and rules so that more high-quality people can be recruited quickly.
- It should examine accounting and budgeting procedures that allow managers to use temporary external labour while limiting their ability to recruit fulltime staff.
- Consulting firms should not seek to fill a long-term role in a client organisation with expensive consulting resource, but focus on shorter-term projects designed to deliver clear benefits.

2. Change procurement processes

NHS procurement processes often fail to distinguish effectively between consulting and interim management services, encouraging expensive “body-shopping” where more targeted consultancy work would be more cost-effective. Moreover, the decentralised nature of the NHS means that consulting work is sometimes being duplicated. The situation could be improved by:

- Enabling the end-users of consulting services to debate their requirements with potential suppliers as a precursor to bidding for the work. “Competitive dialogue” has proved to be a useful tool in focusing in on what is needed in relation to IT projects and could be extended into the procurement of other consulting services.
- Sharing information about past and future consulting projects across different areas of the NHS, opening up the possibility that the input of consultants hired by one PCT, for example, could be accessed by another.

Procurement processes often fail to distinguish effectively between consulting and interim management services

“Talk to anyone in the NHS and they can give you 100 ways to improve productivity. The challenge is not in coming up with new ideas - the NHS already knows ‘what’ to do – but in knowing how to implement them.”

Andy Mullins, PA Consulting

3. Focus on delivery

One difference between consultants and interim managers is that the former are contracted to deliver something and are prepared to carry at least some of the risk involved in doing so. By contrast, interim managers are used to administer an existing process: their remit is to run it, not to change it, and they are rarely tasked with delivery. In order to ensure that management consultants are used only where it is appropriate to do so:

- The NHS should focus more clearly on the outcomes of consulting projects, rather than their inputs, as this is less likely to lead to using consultants in positions where fulltime staff would be more appropriate.
- Consulting firms should articulate more clearly and meaningfully the outcomes and benefits of their work.
- The NHS and consultancies should negotiate more performance-related contracts, rewarding consultancies for their successes rather than paying solely according to time expended. The Department of Health has, for instance, built an obligation to share risk into its FESC (Framework for Procuring External Support for Commissioners). This model could and should be extended into other areas where external advice and support is purchased.

The NHS and consultancies should negotiate more performance-related contracts, rewarding consultancies for their successes rather than paying solely according to time expended

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