

ORIGINAL ARTICLE

Consultocracy and its discontents: A critical typology and a call for a research agenda

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In the past few decades, many sector-specific case studies have been conducted on the use of consultants in the public sector. However, the overall picture of the qualitative changes facilitated by consultants remains fragmented, and a comprehensive framework on how “consultocracy” affects governance is lacking. This article shows how the increased use of consultants has impacted the operational logics of public administration and governance at large. Drawing from a large multisectoral case study from Finland as well as existing studies, a fourfold typology of how consultocracy shapes public administration is introduced. We argue that increased reliance on consultants contributes to the monopolization and privatization of public knowledge and ensuing dependencies, erosion of tacit knowledge, weakening of accountability, and strengthening of instrumental rationality. This research emphasizes the importance of understanding the links between these developments and the need to implement a comprehensive research agenda on consultocracy.

1 | INTRODUCTION

The growing use of consultants in the private and public sectors has drawn much scholarly interest in the past few decades. Reliance on consultants in government and public sector institutions has grown globally to such an extent that several scholars have pointed to the emergence of a phenomenon called *consultocracy*. The term was coined in the early 1990s by Hood and Jackson (1991), and it has since been defined as a process “whereby non-elected consultants are replacing political debate conducted by publicly accountable politicians” (Craig & Brooks, 2006).

Especially since the publication of the 1998 article, “The New Managerialism and the Policy Influence of Consultants in Government,” by Saint-Martin (1998a, 1998b), several studies have described how consultants shape politics and public administration practices. This increased scholarly

interest is hardly a surprise, given that in 2005, *The Economist* estimated that public sector consulting accounted for some 30% of the global consulting market (*The Economist*, 2005).

The growing interest in the use of consultants in the public sector has resulted in many sector-specific studies. However, the overall picture of the qualitative changes brought to public administration and democratic governance by increasing reliance on consultants remains fragmented. Our article addresses this problem with a critical typology for investigating the discontents and the qualitative impact of consultocracy on the public sector and administration in general.

Although certain challenges and problems associated with the use of consultants are widespread and cognizable across different fields, a systematic framework for analyzing the impact of these developments for public administration is lacking. Much of the previous critical debate on consultants and the public sector has focused on policy consultancies that offer advice about political decisions and policies (Boston, 1994; Eichbaum & Shaw, 2008; Greer, 1994; Gunter, Hall, & Mills, 2015; Martin, 1998; Pollitt, 2001; Pollitt & Bouckaert, 2011; Raudla, 2013; Saint-Martin, 1998a, 1998b). However, we argue that the impact of the increased use of consultants is not restricted to their influence on policies. Instead, it has had a significant qualitative impact on the ways in which public administration and governance are conducted in various fields, such as auditing, organizational restructuring, human resources, and information and communications technology (ICT). To capture these multiple qualitative effects of consultocracy, an expansion of the definition of consultocracy is needed from the policy-centered view advocated, for example, by Craig and Brooks (2006) and Saint-Martin (1998a, 1998b). Therefore, we define consultocracy as a phenomenon in which often short-term, outsourced expert knowledge production is increasingly replacing the long-term work of civil servants and even politicians. This results in an increased power of consultants over politics, public governance, and public sector practices.

It is important to distinguish consultocracy from other forms of public sector outsourcing. Whereas public sector outsourcings have a long history, the one characteristic feature of consultocracy is its close relationship to the different forms of expert-driven knowledge production that go deep into the heart of how societies are ruled and governed. In other words, the consultocratic forms of knowledge-production are related to fields that are essential to the proper functioning of the democratic forms of government practices.

The spread of such consultocracy can be explained by different factors. Scholars have found a number of diverse and context-specific rationales for governments to purchase policy advice and hire external knowledge providers (see, e.g., Dolowitz & Marsh, 2000; Gunter et al., 2015, p. 527; Lapsley & Oldfield, 2001; Momani, 2013; Rehfuß, 1989; Roodhooft & Van den Abbeele, 2006; Savas, 2000; Sturdy, 1997). However, as Raudla (2013) has noted, understanding the diverse realities of public sector consulting is not enough; attention must be paid to the potential recurring pitfalls in contracting expert knowledge and to analyze whether these problems outweigh the potential benefits. In this article, certain key areas where such risks and disadvantages may typically occur are identified. Drawing from a large grounded theory-oriented study on the use of consultants by Finnish government agencies as well as from the existing body of sectoral studies, a typology of the problematic impacts of consultocracy is proposed, with the aim of facilitating research on its qualitative effects for public administrations and democratic governance. In alignment with the tradition of grounded theory, the typology has, thus, been generated and inducted from a mixed-methods study, so that the theory building and the emerging typology have been grounded in the case study.

Specifically, this typology contributes to an understanding of how the emergence and growth of consultocracy shape democratic systems of governance and administration. The main impacts identified are the monopolization and privatization of knowledge, and the ensuing dependencies between public contractors and private service providers, the erosion of tacit knowledge within government agencies, the

weakening of accountability, and the strengthening of instrumental rationality. We argue that these four impacts constitute the main qualitatively problematic consequences of consultocracy.

Consequently, the government, the systems of democratic governance, and the public sector (more generally) are increasingly guided by private sector models and interests, rather than the parliamentary system, democratic consensus, and bureaucratic accountability. Political systems, which have in the past relied on bureaucratic forms of policy work as well as negotiations between different interest groups, are increasingly being replaced by a culture that facilitates rapid and radical reforms based on short-term goals, with models derived from the private sector and implemented by consultants. This new culture erodes the role of traditional government functions, while also potentially serving the political agendas of some actors.

2 | OVERVIEW OF THE EXISTING RESEARCH ON PUBLIC SECTOR CONSULTANTS

The existing critical research understands consultants broadly as contract-based actors who sell expert knowledge and influence organizations that hire them. For example, Gunter et al. (2015, p. 519) portrayed consultants as “external knowledge actors who trade knowledge, expertise and experience, and through consultancy as a relational transfer process they impact on structures, systems and organisational goals.” The global growth in the use of such consultants in the past decades, alongside the broader managerialist shift, has generated new research on the topic. Social scientists have examined the growth, role, and contribution of consultants and consultancy (see Armbrüster, 2006; Lapsley, Miller, & Pollock, 2013; Saint-Martin, 2004; Sturdy, Handley, Clark, & Fincham, 2009), and public management scholars have pointed to the increasing involvement of private consultants in the public sector and its reforms (see, e.g., Craig & Brooks, 2006; Fryson, 2009; Lapsley & Oldfield, 2001; Pollitt & Bouckaert, 2011).

Armbrüster (2006) has divided the existing research on consulting into functionalist and critical approaches. Although he focused on research on consultancy work in general, these categories provide a useful starting point for categorizing research on public sector consultants. According to Armbrüster, functionalistic research “presents useful lists or outlines of the economic role of consulting firms, but it lacks an analytical grounding” (p. 6), whereas critical studies either focus “on management fashions that clients supposedly fall for, which represents an oversocialized conception of the consulting market ... or [portray] consultants as opportunistic agents who exploit clients' lack of quality certainty” (see also Lapsley et al., 2013). Both approaches typically draw on sociological neoinstitutionalism, based on a “belief in the efficiency of particular practices or solutions, rather than any proven efficiency,” in determining or influencing economic action (Armbrüster, 2006, p. 7).

As the aim of this research is to understand how consultocracy shapes democratic governance, its approach is more closely aligned with critical than functionalistic literature. However, instead of focusing on the seemingly “opportunistic” practices or the methods of socialization in consulting fashions (see Armbrüster, 2006; Granovetter, 1985, p. 483), the focus is on how consultocracy affects the ways and mechanisms of democratic governance in contemporary society.

Thus far, most critical studies on the qualitative impact of the growing use of consultants in the public sector have focused either on sector-specific cases and perspectives, such as the use of consultants in nation branding, education, privatization, public broadcasting, deliberative democracy or deliberative technologies, and the distribution of management trends (Aronczyk, 2008; Beveridge, 2012; Gunter et al., 2015; Gunter & Mills, 2017; Hendriks & Carson, 2008; Kantola & Seeck, 2011; Moor, 2008; Schwak, 2016), or on specific problems connected to consultants, such as transaction

costs or the question of trust (e.g., Boston, 1994; Raudla, 2013). Other scholars have discussed democratic problems associated with the proliferation of government consultants (Hendriks & Carson, 2008; Saint-Martin, 1998a, 1998b). Further, recent contributions to the research on public sector consultants have included studying the cultural assemblages of consultancies (Prince, 2015), self-perceptions and ideational backgrounds of consultants (Momani, 2013), and analyses of consultants as “a new advocacy group” (Hodge & Bowman, 2006, p. 111). Pollitt (2007, p. 536) has emphasized the normalization of rapid, radical, and often incoherent change in public administration and increasing links to a “management reform community.” In this process, consultancy businesses have been identified as playing a large role in driving the reform efforts (Meek, 2011). The key concern discussed in these studies is whether consultocratic tendencies have reduced the openness, participation, and accountability of governance, so that consultocracy “parallel[s] a decline in democracy for the citizenry” (Hodge & Bowman, 2006, p. 110).

Despite this outpouring of sector-specific studies on consultants, broad-ranging, synthesizing analyses of the impact of consulting on public administration and democratic governance in general are hard to find. This article addresses this gap by offering a holistic view on the problematic impact and discontents of consultocracy in the form of a fourfold typology. The previously published sectoral studies, however, are highly useful for drafting such a critical typology, and in the following, this study draws on and further introduces relevant literature when discussing the proposed typology. Before proceeding in that direction, however, a cross-sectoral case study on Finland is introduced.

2.1 | Case Finland

The typology introduced in this article is grounded in a case study on the use of consultants in the Finnish public sector conducted in 2011–2013. The rapid growth in the use of consultants makes Finland a highly interesting case study for analyzing consultocracy and its effects. Given the past strength of the corporatist, government-driven development model and trilateral bargaining in Finland, the recent increase in consultocratic tendencies has been particularly pronounced. Finland is traditionally understood as a Nordic welfare state with a strong public sector. In line with several European countries, Finland, however, went through a series of major New Public Management reforms in the late 1980s and 1990s, which decentralized, restructured, and commercialized its public sector (Kananen, 2014, p. 140). Scholars have described this as a shift from a planned economy to a competition economy, or from a Nordic welfare state to a neoliberal competition state (Alasuutari, 2004; Heiskala & Luhtakallio, 2006; Kantola & Kananen, 2013; Moisio & Leppänen, 2007). The reforms also included the commercialization of government services; thus, many government agencies were gradually transformed into state enterprises and finally privately owned companies (Julkunen, 2001). This paved the way for the triumph of market-oriented logic, and finally to the increased use of consultants in the public sector.

After these reforms, the rise of public sector consultants has been as pronounced in Finland as in many other European countries. The use of contract-based expert services grew markedly in Finnish ministries between 1998 and 2016. The money spent on contract-based expert services increased by more than 80% from less than €0.4 billion a year to more than €0.7 billion a year during 1998–2009. Although the growth stabilized somewhat during and after the recession that followed the 2007–2009 global financial crisis, the annual purchases were still more than 50% higher in 2016 than they were in 1998.

These changes are illustrated in Figure 1, which depicts the inflation-corrected growth in the use of private consultants by Finnish ministries and the prime minister's office. The figure is not comprehensive, as the data is derived from a specific account for outsourced expert services in the

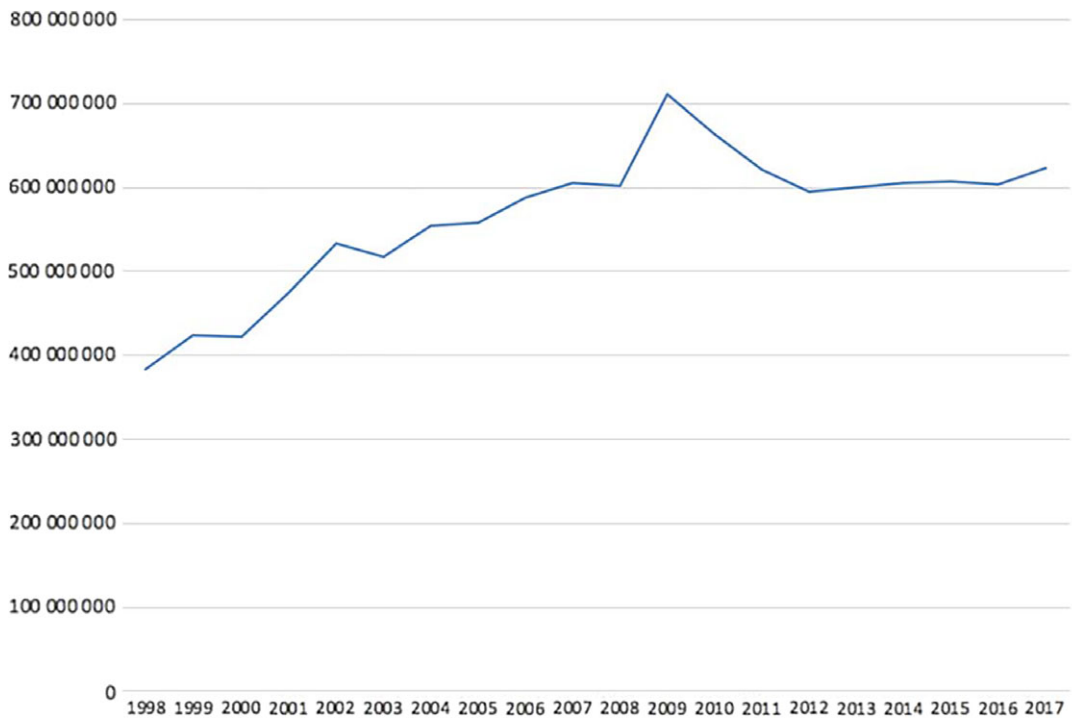


FIGURE 1 The use of outsourced expert services by Finnish ministries and the government, 1998–2017, € (adjusted for inflation using 2017 euros)

government's accounting system, and it may be possible that some procurement contracts have been booked in other accounts for various reasons. This caveat notwithstanding, this is the main account where these kinds of expenses are booked. In other words, the sums and the growth are substantial, even though these statistics do not include all work that Finnish government agencies have purchased from consultants.

The increase in the use of consultants has taken place simultaneously with the decrease in the number of employees employed by the Finnish government, reflecting a general “shift from appointed and salaried, to contracted and ‘billable’ knowledge actors” (Gunter et al., 2015, p. 518). Between 1990 and 2016, the number of Finland's government employees declined from 195,800 to 72,984, removing more than 120,000 employees from the government's payroll (Kuusela & Ylönen, 2013; State Treasury, 2016).

Organizational changes explain part of the decrease. Most notably, in the early 1990s, municipalities gained a number of new responsibilities from the government, which contributed to an increase of 45,000–56,000 employees in the municipal sector between 1990 and 2010 (Kuusela & Ylönen, 2013). Several government institutions were also transformed into publicly owned companies. Moreover, in 2009, the legal status of universities changed from public to private entities, removing almost 30,000 employees from the government's payroll (even if universities are still almost entirely funded by the government). However, a New Public Management policy program started in 2003 also aimed at reducing the number of government employees, to bring economic efficiency by reducing the work performed by government employees. Much of the expert work was consequently replaced with consultants (National Audit Office of Finland, 2010). Between 2006 and 2010, the government's payroll expenses decreased by €216 million, while the purchases of outsourced services increased by more than €500 million (National Audit Office of Finland, 2010).

This rapid shift that has resulted in increased reliance on contract-based consultant services is also visible in the government's use of ICT services. While ICT has been understood primarily as a technical field, it has become an important factor in determining the infrastructure of many critical governance, public administration, and democratic processes. Reflecting the wider consultocratic tendencies, the government has gradually diminished its role in the ICT sector and increasingly contracted services at the expense of the government's own employees. In 2015, of the government's overall ICT expenses of €848.3 million, €610.4 consisted of outsourced procurements (Ministry of Finance, 2016).

3 | RESEARCH SETTING

This research on the use of consultants in the Finnish public sector was based on the grounded theory approach. This means that the theoretical observations and the typology presented in this article have been generated and inducted from the empirical data on the Finnish case, by discovering emerging patterns in creating and identifying new analytical categories (Walsh et al., 2015), such as the elements of the typology. The study drew particularly on research that combines case study research and grounded theory, so that the emerging theory building is grounded in a specific case study (Eisenhardt, 1989; Fernandez & Lehmann, 2011; Taber, 2000). This means that the analytic codes and categories in this research were constructed from the data, not from preconceived logically deduced hypotheses.

More precisely, a mixed-methods approach was employed that combined extensive archival and statistical material with interviews. The main data sets collected in 2011–2012 were: (a) financial accounts on transactions between government institutions and consultants, (b) contracts and procurement documents between public contractors and consultants, and (c) 52 semistructured, in-depth interviews with consultants, civil servants, politicians, and other relevant parties.

We began by requesting detailed, transaction-level accounts from all ministries on expert services procured in 1998–2011. These accounts included all individual transactions that the ministries had invoiced from the aforementioned account number dedicated for procured expert services. Typically, the information included the date, the sum, the name of the service provider, and a very short explanatory text about the nature of the transaction.

These accounts were then screened to find recurrent patterns and suitable case studies for further analysis. Following the principles of grounded theory, theory development was advanced during each step of data collection and the identification of specific cases on which to focus. Thus, the data collection was also guided by the emerging analytical categories. After the initial screening, several recurrent patterns were noticed. Among these patterns were repeated transactions involving a single provider and the same government institution, which were just below the public procurement threshold for direct purchasing with a competitive tender process (these were typically slightly over €29,000, as the main threshold was €30,000 during the years covered). Efforts were also made to find purchases that had particular policy relevance, in addition to case studies that would mirror the recurring and most relevant types of consultant services used by the government. The relevance was specified in and during the constant process of theory building.

After this, the procurement documents (where available) and contract agreements related to the selected cases were requested. These documents not only included contracts for policy briefings or new governance initiatives, but also policy evaluations, which are important because of their potential role in shaping future policies. Moreover, it was acknowledged that many policy-related options are today “locked in” by seemingly technical decisions related to organizational and ICT structures. To

understand this area, consulting contracts related to workplace coaching and remuneration systems were also researched. Finally, these strands of research were complemented by interviews with a wide variety of relevant actors, ranging from consultants to parliamentarians, researchers, and influential current and past civil servants. The archival data were collected simultaneously with the construction of the emerging analytical categories, and the selection of interviewees was conducted in tandem with the analytical work and theory building. In other words, the interviewees had knowledge of the chosen cases or the patterns that were identified as recurrent.

The interviewees were selected iteratively, and new interview requests were sent based on what the researchers learned while reviewing the textual material and the first interviews. The interviewees held different institutional positions. An approximate breakdown of the interviewees is as follows: 19 civil servants, 14 politicians or political party employees, 13 consultants, 3 researchers, 2 employees from public sector trade unions, and 1 journalist. Some interviewees held several institutional positions; for example, some worked as consultants while holding a position in a city council, which is why the breakdown is only approximate. Of all the interviews, 46 were face-to-face, while 8 were telephone interviews. All interviews were recorded and lasted between 26 and 111 minutes, with a typical interview lasting about an hour. In line with the grounded theory approach, the interview questions drew on the insights both from the preceding interviews as well as from our other research, with the interview guide evolving over time. In most of the interviews, we sought both new information about the decisions to hire consultants in various agencies and the reasons behind these outsourcing decisions. Our interviews with consultants and the civil servants who contracted them also aimed at gaining an understanding of the personal and organizational motivation of these actors within the broader context of consultocracy. The interview guide thus included questions on the opinions the interviewees had on the use of consultants, as well as on the practices they had encountered while contracting or interacting with consultants, or alternatively, when acting as consultants.

The data were analyzed according to the basic principles of grounded theory so that the analysis focused on emerging patterns in creating and identifying analytical categories that interpret, rather than simply label, instances of consultocracy or its qualitative impact on public administration (Chermaz, 2005). These analytical categories that emerged in the analysis of the empirical data were then compared with the existing research literature (Glaser, 1992, p. 33) to create a more comprehensive typology of the problematic impacts of consultocracy and a research agenda. Thus, the typology presented in this article is built on the categories that emerged in the analysis and developed further with the help of the existing research. As the article focuses on the pitfalls and discontents of consultocracy, it gives specific weight to patterns that were seen as problematic by the interviewees or found troublesome in our analysis of the documents. It needs to be emphasized that interviewees (particularly the consultants that were interviewed) held also positive views on the growing use of consultants, but these self-proclaimed justifications of the practice are not the object of this article.

Altogether, this research material enabled the researchers to conduct a unique, comprehensive study on consultocracy in Finland, facilitated by the relatively nonhierarchical structure of Finnish society (e.g., it is relatively easy to arrange interviews with parliamentarians) and the Finnish Act on the Openness of Government Activities (Ministry of Justice, 2015). The results highlighted some of the issues discovered in previous studies, but also enabled proposing a more thorough typology of consultocracy than previous studies. Thus, following the traditions of grounded theory, the case study was aimed toward theory construction, rather than representativeness.

3.1 | The typology of consultocracy's problematic impact on public administration

Although a number of analyses of the policy consequences of consultocracy in management studies and related disciplines exist, the overall picture of the qualitative impact of consultocracy on public administration has remained fragmented. To address this gap, an overview of the key risks of consultocracy is provided. As noted in the Introduction, the key feature that differentiates the problematic impacts of consultocratic outsourcing from other outsourcing of services is the importance of these services to the proper functioning of democracy and the government.

Besides facilitating future research, this overview helps to understand some of the key differences between public and private sector consulting. The types of effects covered here are monopolization and privatization of knowledge and ensuing dependencies, erosion of tacit knowledge, weakening of accountability, and strengthening of instrumental rationality.

Perhaps slightly unexpected, the results were similar in consultancy contracts and companies regardless of the size or market position of the consultancy firm. This is particularly interesting given that the existing scholarship on management consultancies has emphasized the benefits brought by large size or market dominance (e.g., Kipping, 1999). While market dominance can certainly be a defining factor in some respects, this case study calls for more nuanced analyses on this topic.

3.2 | Monopolization and privatization of knowledge and ensuing dependencies

As private providers of knowledge and expert services, consultants have brought fundamental changes to the ways in which public administrations handle information and knowledge. When contracting out expert services, publicly owned and available information (or information that could, in principle, be publicly owned) is transformed into a private commodity. Therefore, information that is frequently used by public administrations (such as computer programs, algorithms, benchmarking data, and indicators) becomes an asset for private consulting firms. This ownership may result in information advantages for consultants that may lead to various dependencies and rent-seeking behavior by consultants.

This phenomenon has been discussed most notably within the new institutional economics and management literature, both of which have explored the economic problems associated with the “contractualization” of governance and policy making, and the problems associated with the use of competitive tendering for providing government services. Specifically, various scholars have shown how difficult it is to define the cost, quality, and quantity parameters of outsourced services for complex products (Bajari & Tadelis, 2001; Boston, 1994; Brown, Potoski, & Van Slyke, 2006; Dixit, 1996; Donahue, 2009; Raudla, 2013). It is challenging to specify procurement criteria and establish unambiguous exchange terms. Consequently, as Raudla (2013) has noted, such incomplete contracts and information asymmetries may cause various problems, including risks of opportunism by suppliers. Similarly, Boston (1994, p. 21) emphasized how advisers can exploit their quasi-monopoly position and informational advantages. This can happen, for example, by failing to produce advice of the desired standard, by providing selective or distorted information, by charging excessive prices, or by advocating policies deliberately designed to increase the demand for the consultants' services.

This research revealed numerous instances where consultants used and benefited from their information advantages to achieve a quasi-monopoly. One case was related to the Ministry of Finance's use of a remuneration consultant in an environment where a single company dominates more than half of the market (Kostiander, 2011). The Ministry of Finance also used this consultancy when it attempted to streamline its remuneration practices. During the 7 years (2004–2010) investigated, yearly purchases from this single company increased from €750 to €219,174. Ultimately, the ministry

even ended up advertising the company's services on its website. One particular year, the ministry paid the consultants a total of €140,000 without issuing a procurement tender. This was possible because the ministry signed several separate contracts with the same company for the same project, with individual payments remaining under the €30,000 threshold. This kind of “chaining” of contracts was common in the accounts we studied. The law prohibits this practice, but it was evident in all ministries whose transaction-level accounts were investigated. This highlighted the ability of private sector consultants to establish long-term relationships with the ministries, and the failure of the legislation governing public procurement to prevent these dependencies.

Although illustrative, the steadily growing dependence between the remuneration consultancy and the Ministry of Finance was only one example of the monopolization tendencies and dependencies generated by the government's increasing reliance on consultants. Several interviewees described attempts to avoid issuing time- and resource-consuming procurement tenders and confirmed the allure of the practice. “Even though the guidelines prohibit issuing contracts for €29,900, it is extremely tempting to resort to the practice in order to save two months of work [that the tender process may have required],” stated an interviewee (Interview, 2012f). A director at the Ministry of Finance also confirmed this practice in our interview: “It is indeed common to see a procurement contract where the price has been set at €29,900” (Interview, 2012a). The practice was also confirmed by a consultant who explained how sometimes chaining smaller contracts starts innocuously: “Quite often, consultants enter an organization with a modest project proposal. After this, the process continues with a series of new contracts” (Interview, 2012c).

Another interviewee from academia recalled how (s)he “issued a call for proposals for an organizational development project while expecting that the project would take just a few days. I received a proposal from a consultant who had come up with a month-long project that cost €29,000” (Interview, 2012f). This echoes the paradox described by Gunter et al. (2015, p. 529), according to whom consultants are usually hired to solve a specific problem, “but capitalism requires the production of problems the client did not realise it had” (see also Béland & Howlett, 2016). As exchange relationships and claims between service providers and contractors are asymmetrical and are not fixed, governments can be powerful and powerless at the same time in their procurement work (Gunter et al., 2015, p. 534).

Over time, the exploitation of quasi-monopoly positions can erode the organization's ability to perform the outsourced task in-house. According to Boston (1994, p. 8), government departments and agencies that contract out policy analysis face the risk of “losing their specialist, in-house advisory capacity,” turning them into mere “contract managers and processors of the policy advice supplied by contractors.” The evolution of the ICT service provision within the Finnish government illustrates this phenomenon, as the diminishing role of in-house services has led to a situation in which the government has increasingly become a contract manager that spends the majority of its ICT budget on outsourced services. The majority of the government's ICT work is essentially already in the hands of private service providers (Ministry of Finance, 2016).

3.3 | Erosion of tacit knowledge

The growing dependency on consultants can also have a long-lasting and profound impact on the structures of knowledge within public sector organizations. Many studies have focused on how consultocracy contributes to the erosion of tacit knowledge, and the deeper the dependencies and monopolization tendencies become, the higher the risks. As one example of these studies, Powell (1990, p. 324) noted how tacit knowledge “exist[s] in the minds of talented people whose expertise cannot be easily purchased or appropriated and who commonly prefer to ply their trade in a work

setting that is not imposed on them ‘from above’ or dictated to them by an outside authority.” In a somewhat similar fashion, Sennett (2006) argued that the overall precarization and the growing reliance on consultants have hindered attempts to transfer knowledge within organizations from one person to another. The old bureaucratic virtues erode as informal trust and information lose their organizational structures and channels.

The interviews conducted with consultants and civil servants emphasized these concerns. One particularly striking case involved a consultant who had worked for several years for the Ministry of Finance under contracts that lacked even basic details on the nature of the consultancy work. The consultant, who had worked the entire period as a contracted expert for the ministry, stated in the interview: “I had the advantage of having a long and extensive history in working with the ministry, and there were several occasions where I knew the ministry better than its section managers” (Interview, 2012b). A director in the ministry confirmed this situation:

When I joined the ministry, my predecessor had left the organization a long time ago. Effectively, this consultant had the best understanding of the organization, of my duties, and of the key issues in our sub-departments. Having several processes ongoing in the ministry, this consultant was essentially the person that had the best overall picture of things. (Interview, 2012a)

Reflecting such tendencies, Robin Fincham (1999, p. 336) concluded that “consultants are seen as a group that has gained insidious power, unaccountable and unseen, and all the more mysterious because managers seem to remain addicted despite the disastrous failures associated with some consultancy assignments.” This can also create a situation where the officials may lack the capacity to evaluate and audit the quality of external knowledge services, which, in turn, can again increase the risks of opportunism by contractors (Boston, 1994; Freeman & Minow, 2009; Savas, 2000).

This seemed to be the case in the Finnish Ministry of Finance that was highly dependent on one consultant for years, as the manager considered him the only person who had the tacit knowledge needed to run some of the key functions of the organization. Finally, after years of dependency, the new director managed to end this relationship; as the manager became more familiar with the tasks, the consultant “no longer had any expertise that I myself did not have,” the manager explained (Interview, 2012a). However, before this happened, the dependency had lasted for years and even this transition was guided by the consultant, as he was the person who introduced the ministry to the new director.

Much of the erosion of tacit knowledge results from practical reasons, such as cost-cutting programs that generate pressure to cut permanent work hours. In some cases, this development can be unintentional; high budgetary pressures and precarization of public sector work undermine tacit knowledge, and even more so when they result in a growing reliance on consultants. Younger employees in ministries, in particular, encounter an environment where work contracts are sometimes signed only for very short periods. The situation is even worse when growing reliance on consultants coincides with a development where important ministry tasks are performed by trainees who rotate every few months.

However, the loss of tacit knowledge can also be advanced as a hidden or explicit political agenda. In this case study, major organizational overhauls were often motivated by the desire to destruct existing organizational structures. Constant change was desirable precisely because it helped to shatter old ways of working.

Often, this agenda was promoted tacitly, but the major bibles of management consultancy are sometimes surprisingly straightforward about the need for Machiavellian tactics. One such guidebook

is the *Blue Ocean Strategy*, which became popular in the early 2000s and is still used in many public and private organizations alike, and which this study found was used by some public sector organizations in Finland.

This handbook stipulates that “organizational politics is an inescapable reality of corporate and public life,” and “even if an organization has reached the tipping point of execution, there “exist powerful vested interests that will resist the impending changes” (Kim & Mauborgne, 2005, pp. 165–166). The more likely any change becomes, “the more fiercely and vocally these negative influencers – both internal and external – will fight to protect their positions” (Kim & Mauborgne, 2005, p. 166). To overcome these obstacles, the *Blue Ocean Strategy* argues, a leader needs to leverage like-minded “angels,” silence obstructive “devils,” and appoint a consigliere who “is a politically adept but highly respected insider who knows in advance all the landmines, including who will fight you and who will support you” (Kim & Mauborgne, 2005, p. 166).

A series of reports and statements published by the government-owned think tank Sitra, the Finnish Innovation Fund, are an example of the latter tendency. A report published by Sitra researchers with renowned management scholar Yves Doz noted how policy makers should “improve their societies’ strategic agility” by gearing their funding for research, media, communication, and cultural policies to actors who question established paradigms and shake up the status quo (Hämäläinen, Kosonen, & Doz, 2011, p. 15). Another consultancy report commissioned by Sitra went even further and called for “revolutionary development paths” that promote societal uncertainty and collective stress,” which overcome “societal rigidities,” of which one example is the Finnish welfare society (Wiio, 2006, p. 65).

In other words, the erosion of tacit knowledge can be a cause and a consequence of consultocracy. It paves the way for consultants to more easily enter the increasingly shallow public sector organizations in the future.

3.4 | Weakening of accountability

One of the most fundamental consequences of consultocracy for public administration is also difficult to measure: weakened accountability. According to the traditional conception of politics, civil servants are accountable to the government, the government is accountable to the parliament, and the parliament is accountable to the people. The growing role of consultants distorts this idealized conception of accountability in ways that go beyond the larger role of expertise and technocracy in politics. As Saint-Martin (2004, p. 20) noted, “the idea of an emerging ‘consultocracy’ suggests that consultants have become powerful because, when implemented, the new managerialist model that they advocate tends to remove public administration from politics and thus, from public scrutiny.”

The weakening of accountability takes place at least in two ways. First, when *either* politicians or civil servants contract expert services from consultants, at least part of the responsibility for the results is outsourced to the consultants. Depending on the motives and capabilities of the contracting party, this can either mean a “blank check” for the consultants to pursue whatever solution they find is best, or an end result that is closely aligned with the interests of the commissioning party—or something in between. Thus, as Gunter et al. (2015, p. 534) noted, justifying consultancy requires an interplay between the public office and those who are elected or appointed to such position; thus, the role of public sector consultants is stronger the closer they serve the knowledge needs of those who hold positions of political power. However, part of the accountability disappears along the way; the contracting party can blame the consultants for any unwanted results or omissions to their superiors or other interested parties, whereas the only thing at stake for the consultant is his or her reputation.

Considering that most consultancy agreements will not end up being discussed in public, even this threat is often negligible.

Second, contracts between the private sector and consultants are typically negotiated under private law, which differs from the work conducted by civil servants who operate under public law. Depending on the legal system, private law often places severe limits on the public availability of relevant documents, as well as on the applicability of the legal dispute mechanisms. For example, in Finland, the Act on the Openness of Government Activities stipulates that all documents produced by public organizations are by default public and are publicly available. However, documents related to outsourcing (including the contracts) are routinely classified to protect commercial secrets. Thus, as if automatically, using consultants decreases the level of transparency and, consequently, the accountability of the public administration.

In one particular case, a consultant had specialized in conducting large-scale, public sector organizational restructurings. Having become kind of a celebrity in Finnish organizational development circles in the late 1990s after publishing a hands-on guidebook on how Finnish municipalities can utilize balanced scorecard reporting, this consultant emerged as a central figure in Finnish public sector restructurings in the 2000s. Among the restructurings guided by this consultant were the merger of the National Research and Development Centre for Welfare and Health STAKES and the National Public Health Institute, the merger of the Ministry of Labor and the Ministry of Trade and Commerce, and the creation of the University of Arts Helsinki from three smaller universities. Although this one consultant was involved in almost all major mergers in the Finnish public sector in the early 2000s, he was never publicly elected or accountable to any democratic decision-making body. Rather, his central role was based on his unofficial reputation. According to one interviewee who had expertise in the municipal sector, the work this consultant did on balanced scorecard reporting inspired “many municipalities to contract them [i.e. this consultant and his colleague] to build this reporting system” (Interview, 2012d), and the later work on organizational restructurings resulted in similar path dependencies.

Accordingly, Raudla (2013) noted that mutual trust is an important asset in policy advice and public sector consultancy, implying ongoing long-term relationships, which nurture mutual understanding. Within public administration, such long-term relationships between a public contractor and the consultant are also problematic, creating monopolistic tendencies and violating the ethos of public administration that should treat all providers equally. Moreover, these relationships are likely to obscure the mechanisms of accountability, creating a shadow elite (Wedel, 2009) or a group of decision makers who are not under democratic control. As Hood and Jackson (1991, p. 24) observed, the emergence of a consultocracy has led to a situation “whereby elite and influential networks of consultants have been able to obtain a dominant position within public institutions,” but the democratic legitimacy concerns about the involvement of such contract-based (management) consultants in public sector reforms have not been adequately studied (see also Raudla, 2013, p. 612).

3.5 | Strengthening of instrumental rationality

Finally, the shift to consultocracy and managerialism (Barzelay, 2001) has been underpinned by the pursuit of greater efficiency and a belief that consultants provide knowledge that the public sector cannot produce. Informed by the rationalism of public choice theory, the move to managerialism and the increased use of consultants have emerged alongside political discourses about the inefficiency and ineffectiveness of politicians and bureaucrats, and alongside the more general shift to neoliberalism and New Public Management from the 1970s onward (Hay, 2007, p. 95).

Consultants often emphasize the need to strengthen evidence-based policy making and their own role in providing such evidence, which has been associated with the rise of evidence-based policy making (Wiseman, 2010). One consultant interviewee noted that his work focused on efficiency rather than values: “A sort of efficiency perspective is pretty much a built-in characteristic of consultants, and for a consultant, it is difficult to see it as politics” (Interview, 2011). He saw that as a consultant his role was to provide facts for decision makers: “The work I have done means delivering fact-based and analytical [thinking]. Those things that can be converted into euros should be converted into euros, so that we can then afterwards make value-based decisions” (Interview, 2011).

Thus, the rise of consultocracy urges us to ask to what extent “the increased emphasis on the role of evidence in policymaking is indicative of ‘technocratic politics’ underpinned by an instrumental rationality which erodes the normative basis of policymaking and undermines the capacity for ‘appropriate’ practice” (Sanderson, 2002, p. 61). Therefore, the quest for greater efficiency and evidence-based policy making tend to contribute to a broader cultural shift in the public sector, namely, to strengthening instrumental rationality. Governments that are directed by instrumental rationality are primarily “concerned with consistency between available means and pursued objectives” (Walliser, 1989, p. 7) with solutions that “work” (Sanderson, 2002), rather than with political values, ideologies, or the normative basis of a decision (see also Gunter & Mills, 2017). Thus, there is a danger that consultants offer “technocratic solutions to political problems,” neglecting the democratic aspects of politics, the role of civil society, and the civil sphere (Kantola & Seeck, 2011).

Consultocracy and its effects discussed in this article may strengthen instrumental rationality in several ways. Consultancy projects typically aim to fulfill a particular task, and there is often neither a need nor a possibility to question the underlying assumptions and definitions. There are often strong incentives to produce an end result that is closely aligned with the interests of the commissioning party and for which the consultant need only find suitable facts. Consequently, the reports seldom offer the kind of referencing style and literature reviews that would be required from academic articles. This helps produce large numbers of reports that arrive at relatively straightforward conclusions, often coupled with some solid-looking quantitative estimates and policy recommendations.

These tendencies often result in a lack of political discussion about the goals and the normative basis of the final decision. Although the consultant quoted above noted that value-based decisions are kept separate from the consultants' work and are usually made after the consultant has provided facts, it is unclear whether these types of processes allow for any value-based and normative discussion.

If the outcomes follow the logic of instrumental rationality, it may be difficult or impossible to introduce other types of rationalities or viewpoints in the process subsequently. For example, if the consultant focuses on the efficiency of the organization, instead of the possible social and human consequences of a reform, then the decision makers lack the knowledge needed for value rationality. When economic aspects have become the key criterion for analyzing and formulating public policy and when the vocabulary of markets, revenues, productivity, and efficiency (which is favored by consultants) has become ubiquitous, this poses a risk that the public administration becomes unable to think in terms of substantive rationality and to talk in the language of citizenship and community (Nabatchi, 2009). Thus, the advice given by private consulting firms can fall short in the quality and specificities needed for the *public* sector (Raudla, 2013, p. 610). Craig and Brooks (2006), for example, argued that public services are more complex than the managerial techniques private sector consultants can handle or have knowledge of.

The normalization of this kind of production of information can have far-reaching consequences for public debate and decision making. As politicians, civil servants, and journalists become increasingly accustomed to the ethos of consultancy reports, social scientific information may start to seem

increasingly confusing or even useless when compared with straightforward reports. Such problems of consultocracy have been discussed under the neologism “deliverology,” a term coined by Michael Barber, one of New Labor's policy advisors (Barber, Moffit, & Kihn, 2011). It refers to the consultocracy's role in producing policy knowledge in a timely manner for the government that allows it to achieve small wins during the electoral cycle. Such a narrow electoral cycle supported by consultocratic tendencies militates against the type of careful and thorough policy making required to tackle structural issues. Finally, the increased use of consultants can also have an effect on public discussions and deliberative democracy, as Hendriks and Carson (2008) have noted. Their list of the unfortunate effects that the growing use of consultants may have on the facilitation of deliberation include fostering elitism, homogenizing public deliberation, reducing the meaning and practice of public deliberation, and potentially depoliticizing public deliberation.

Much of the criticism discussed here is familiar from the general debates concerning bureaucracy. Some of the antibureaucracy discourses of the past decades have relied heavily on criticism of instrumental rationality (see Du Gay, 2000). However, as argued in this article, there are crucial differences between bureaucracy and consultocracy as the guiding principles or hegemonic ideas of public administration. Although both are open to similar criticism concerning instrumental rationality, what consultocracy and consultants lack are accountability and the moral institution of bureaucracy. Unlike civil servants, a consultant's instrumental rationality is not guided by a bureaucratic morality and objectives (such as fairness, justice, and equality in the treatment of citizens) but by economic profit seeking. When the bureaucratic instrumentality is stripped off the bureaucratic morality, what is left is instrumentality without a cause and accountability.

4 | CONCLUSIONS

Governments and public agencies may sometimes have legitimate reasons to use private sector consultants to provide competence and expertise that cannot be produced in-house. However, in addition to the economic calculations and transaction costs analyses, research should pay much more critical attention to the qualitative challenges and problems that regularly emerge when expertise and knowledge production are contracted out to a private sector service provider. To facilitate such research that could assess whether the problems of the rise of consultocracy outweigh its potential benefits (Raudla, 2013), a fourfold typology of how the mechanisms of consultocracy qualitatively affect democratic governance and public administration has been provided. This article focused on non-financial effects, since research literature on transaction costs in the public sector exists. The following provides forward-looking conclusions from these discussions and ideas for turning these conclusions into a more comprehensive research and policy agenda. Finally, some methodological issues and ideas are discussed.

The first emphasis is on the current approaches for assessing the efficiency and sensibility of using policy consultants in the public sector, which have paid insufficient attention to the four major effects that consultocracy has on democracies: the monopolization and privatization of knowledge that lead to growing dependency on consultants, the erosion of tacit knowledge, the weakening of accountability, and the strengthening of instrumental rationality. The studies published thus far have provided useful building blocks for greater sensibility to these tendencies, but a comprehensive set of tools to examine these issues has been lacking.

The present findings also emphasize the absence of alternative frameworks for governing, accounting, and measuring the work conducted in the public sector, which would take into account the particularities of the public sector and its ethos. The measuring frameworks, indices, and other

administrative tools are the bread and butter of public sector consultancies. As long as these frameworks are more or less directly adopted from frameworks developed for the private sector, there is little hope of overcoming the problems associated with consultocracy. However, should public sector agencies or management scholars develop better alternatives that depart from the characteristics of democracy and public ethos, commissioning such solutions from consultants would be less needed.

It is not easy to fix these problems. Many management bibles are backed by massive marketing machineries, unlike academic scholarship. In addition, considering that the background assumptions behind many consultant-driven guidelines would not stand up to academic scrutiny, combining higher academic standards with practical usefulness can be difficult. However, to create truly critical management scholarship, these kinds of new guidelines are needed.

This provides a transition for methodological considerations. Research is needed that is aimed at understanding the entire policy process from high-level political guidance to the actual work practices of consultants in the public sector. The following questions are important: What motivates politicians and civil servants to hire consultants instead of permanent staff to perform a task? What added value do consultants actually bring to different processes? How are questions related to accountability, continuity, and monopolies taken into account when contracting out? What kind of tools, models, and methods do consultants use to arrive at their conclusions? How could they be reinvented so that they would take into account the typology of consultocracy that was presented in this article? How could the public sector itself “internalize” some of the good things sometimes associated with consultants (providing alternatives, agility, and greater interaction) without losing its ethos? How does the instrumental rationality of consultocracy shape the long-term development trajectories in the public sector?

Methodologically, answering such questions requires mixed-methods approaches that: (a) generate and utilize quantitative data on the scale of the phenomenon in a given government, sector, or agency; (b) provide an in-depth understanding of the bureaucratic or marketized mechanisms that enable and facilitate the use of consultants; (c) aim at understanding the motives and needs of the commissioning agencies to hire consultants; (d) focus on the methods and results of consultants' work practices, while aiming to identify gaps, omissions, and untold background assumptions behind them; and (e) aim to create better alternatives to these methods. Further information on the scale of the phenomenon can be obtained from qualitative research (Finér & Ylönen, 2017) of the financial accounts of consultancy companies.

Naturally, no single study can address all these questions. Moreover, the extent to which these questions can be asked depends on many national variables from the scope of the freedom of information legislation to the level of access that researchers have to interview senior-level civil servants and politicians.

However, in an ideal research environment, all these questions could be addressed through a series of interviews, statistical research, deep reading of consultancy contracts, and thorough analyses of the methodologies and frameworks that consultants utilize in their work.

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How to cite this article: Ylönen M, Kuusela H. Consultocracy and its discontents: A critical typology and a call for a research agenda. *Governance*. 2019;32:241–258. <https://doi.org/10.1111/gove.12369>