




DO MANAGEMENT CONSULTANTS INFLUENCE PUBLIC POLICY? INSIGHTS FROM INDIA'S SMART CITIES MISSION

Uttara Purandare, Martin de Jong, and Nathalie Crutzen

HEC Liège – Management School of the University of Liège &
Rotterdam School of Management, Erasmus University Rotterdam



INTRODUCTION AND OUTLINE

Introduction

- Private sector management consultants have become a common and near-permanent feature of governments across the world
- This is a growing field of research
- But there is limited empirical diversity in the studies that inform policy
- Our paper focuses on the Smart Cities Mission, a policy launched by India's federal government in 2015
 - *The state played a role in embedding consultants in the public sector*
- The roles that consultants play at the city- and federal-levels

Research questions

- Do management consultants directly influence public policy, and to what extent?
- What are the implications of this, more specifically in the Indian context?
- We focus on the Big 4 accounting firms and the Big 3 consulting firms, all of which have a presence in India and many of which have worked on the Smart Cities Mission
- The paper considers how a growing consultocracy and a strengthening state might co-exist and even reinforce one another

Outline

- Literature review
- Research methods
- The empirical context: India's 100 Smart Cities Mission (SCM)
- Findings
- Discussion
- Conclusion and recommendations

LITERATURE REVIEW

Literature on consultants in the public sector

- History of management consultants in the public sector
 - *New Public Management programmes of the 1970s and 1980s*
 - *At the time, consultants were brought in to help restructure government*
 - *And make government leaner, more efficient*
- Now, consultants perform several roles
 - *Evaluation of programmes*
 - *Application of global indices*
 - *Policy and best practices research*
 - *Assessing vendors and stakeholders*
 - *Advice on public policy*

Strands in the literature

- Broadly, two strands in the literature
 - *A critical approach*
 - *A pragmatic approach*
- Critical literature
 - *A growing ‘consultocracy’ or the influence of consultants on public policy*
 - *Privileging of short-term and privatised knowledge*
 - *The creation of a critical dependence on consultants*
- A pragmatic approach
 - *Consultants can play a role but need to be regulated*
 - *Supply-side regulations*
 - Accreditation and certification
 - *Demand-side regulations*
 - Increased transparency, spending caps, working with boutique firms

Gaps in the literature

- A lack of geographical and contextual diversity
 - *Most empirical research is based in North America, Western Europe, the UK, and Australia*
 - *A universalisation of theory based on limited empirical diversity*
- Difficulties in tracing and demonstrating influence
 - *How can we be sure that ideas put forth by consultants are the ones that have driven public policy, especially in a field as complex as urban governance?*
- In this paper, we argue that context matters in understanding influence, that this can change at different levels of government, and we point to the nimbleness of management consultants

RESEARCH METHODS

Research methods

- Qualitative, in-depth interviews
- Representatives from
 - *The federal government*
 - *Smart city offices at the city-level*
 - *Think tanks and urban experts*
 - *Consultants*
- 16 interviews conducted between August 2021 and December 2024
- Analysis of government documents
- Analysis of consultant documents

Overview of interviews

	Designation	Location	Duration			Designation	Location	Duration
01.	SVP employee/ former consultant	City-level	73 mins		09.	Senior consultant	Federal-level	50 mins
02.	SVP employee	City-level	48		10.	Govt advisor (think tank)	Federal-level	50
03.	Senior bureaucrat	City-level	91		11.	Senior govt advisor (think tank)	Federal-level	65
04.	SVP employee	City-level	93		12.	Consultant	Federal-level	60
05.	Consultant	City-level	90		13.	Govt advisor (think tank)	Federal-level	70
06.	Consultant	City-level	80		14.	Senior bureaucrat	Federal-level	60
07.	Independent advisor	City-level	60		15.	Senior consultant	Federal-level	50
08.	SVP employee	City-level	60		16.	Senior govt advisor (think tank)	Federal-level	60

RESEARCH CONTEXT

India's 100 Smart Cities Mission

- The Smart Cities Mission (SCM) was launched in 2015
- It is coordinated and largely funded by the federal-level Ministry of Housing and Urban Development (MOHUA)
- Covers 100 cities across India
 - *Each city was to submit a smart city proposal*
- The Mission mandated the hiring of consultants from the get-go
 - *'It is realized that the task of preparing the [smart city proposals] is quite challenging and States/ULBs will require assistance of experts. There are two ways of obtaining technical assistance support – by hiring consulting firms and engaging with handholding agencies' (MOUD 2015a: 9).*
 - *A list of consulting firms was empanelled*
 - *Their scope of work was outlined by the Ministry*

Special Purpose Vehicles

- To receive funding and execute the SCM, each of the 100 cities had to set up a Special Purpose Vehicle (SPV)
 - *Ad hoc bodies constituted as companies*
 - *Separate from the existing city governments*
 - *Headed by a CEO who reports to a Board of Directors*
- SPVs were empowered to ‘appoint Project Management Consultants (PMC) for designing, developing, managing and implementing area-based projects’ and to ‘take assistance from any of the empanelled consulting firms in the list prepared by MoUD and the handholding agencies’ (MOUD 2015a: 13)

Consultants at the federal-level

- Consultants work directly with the nodal Ministry of Housing and Urban Development
- They populate various SCM bodies
 - *That oversee the implementation of the Mission, including project expenditure*
 - *That collect and centralise data*
 - *That publish SCM documents and guidelines*
 - *That provide advice and support*

FINDINGS

Consultants have been an integral part of the SCM

- At the city-level
 - *Consultants drafted city proposals*
 - *They went on to plan, implement, and oversee smart city projects*
- At the federal-level
 - *Consultants have offices in the Ministry building*
 - *They make up two important SCM bodies*
 - The Data Management and Analysis Unit
 - The Mission Management Unit
- According to a senior consultant, ‘consulting can come at various levels. It can be advisory in nature, it can be implementing in nature, or it can be operating in nature... consultant[s] can be there to monitor the implementation. The private sector plays multiple roles be it smart cities or any other project’ (F1 2022)

Consultants wield influence unevenly

- Consultant influence increases in magnitude at the city-level
 - *‘First, the department’s project is decided. Then the consultant is hired. So we hired [consulting firm] for our ITMS [Integrated Traffic Management System] project. Now, [the firm’s] role is to create a DPR, a detailed project report which will outline the components needed, what other aspects are needed for the project, all of that is laid out in detail. Once that is approved by the higher authorities, tenders are floated. [The firm] will then work on scrutinizing the tender applications that come in to see which one works best. Then a company is hired/ a work order is issued... Then to oversee [the project] and its execution, the [firm] is involved in monitoring. The consultants monitor in detail and step-by-step whether the work is being carried out. The [firm] also submits reports to the department about the progress of the work... So, the consultant’s work is pre-project and during the project as well—until the project is over this engagement with consultants continues’ (C8 2021).*
- At the federal-level, consultants are one among a number of policy actors
 - *The Ministry also works with think tanks, urban experts, NGOs, etc.*

Consultants have used the SCM to their advantage

- The need to employ consultants in the SCM was established in the Mission guidelines
 - *This was justified by the lack of capacity at the city-level*
- Consulting firms have exploited this
 - *They present themselves as experts on smart cities*
 - *They actively engage with the SCM*
 - *These firms have published numerous documents on the SCM*
 - *They use SCM language*
 - *But they do not disclose the work they have done on the Mission*

Document Title	Authoring Firm	Year
How Smart are our Cities?	PWC & The Express Group	2016
Smart Cities: Turning Opportunity into Reality	Global Infrastructure Initiative by McKinsey & Company	2017
Smart and Sustainable Cities of the Future: Key Initiatives under Smart Cities Mission, Government of India	Deloitte	2019
India Smart Cities COVID-19 Response: Case Studies	Deloitte	2020
Road to Sustainable Smart Cities: Challenges, Opportunities and Emerging Trends	KPMG & Exhibitions India Group	2021
Envisioning Urban India @ 2047	KPMG & Exhibitions India Group	2022
From Smart to Smarted Cities	KPMG International	2024

Table: Examples of documents published by consulting firms since the launch of the SCM

Consultant influence is poised to increase

- Consulting firms and government officials often share the same spaces
 - *Smart city expos, exhibitions, even government offices*
- Consultant engagement with the SCM makes these firms seem like natural partners
- A telling sign of consultant influence is the fear of a loss of institutional memory
 - *Interviewees often pointed this out*
 - *They identified a cycle of dependence that stems from a lack of government capacity, which leads to the hiring of consultants—but without the focus on building internal capacity*
- The structural set up of the SPV at the city-level has made the hiring of consultants easier
- This is often done without strengthening public institutions

DISCUSSION

Evidence of a consultocracy

- Consultants play many different roles within the ambit of the SCM
- Over the past 10 years these roles have changed but the presence of consultants has persisted
- Government officials have not only sought out the advice of consultants but their hiring has been a matter of policy
- Systems have been created – like the SPV – to make this easier
- There is little evidence of capacity building or knowledge transfer
 - *This increases the probability of an incompetency trap and a critical dependence on consultants*

Evidence of a strong and centralising state

- It is easy to extrapolate that the state is being hollowed out
- In terms of local capacity there is some truth to this
- But the SCM has also had a strong centralising effect
 - *Consultants play an important role in this*
 - *The federal ministry has controlled the implementation of the Mission at the city-level through bodies largely run by consultants*
- Consultants form a thoroughfare from SPVs to the federal ministry
- Local governments have been further fragmented
- Consultants have acted as agents of the state

CONCLUSION

Conclusion and recommendations

- Can management consultants directly influence public policy and to what extent?
 - Yes
 - *But they do not control public policy*
 - *They are one among a number of public policy actors*
- In the Indian context, consultants have more influence at the city-level than at the federal-level
- What are the implications of consultant influence?
 - *They lack of capacity at the city-level is now more acute*
 - *Little is being done to address this gaps*
- Recommendations
 - *There is an urgent need to regulate consultant engagement by the public sector*
 - *No regulations currently exist in India*

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