



UNIVERSITY OF
GOTHENBURG

GOTHENBURG SCHOOL OF BUSINESS, ECONOMICS AND LAW

Consultants and decentralization

Proposal for a study of consultants influence on reform in
Swedish public administration

Mathias Krusell

15th Swedish Economic History Meeting

The neoliberal shift

Introduction

The acceptance of new managerial ideas in public governance and increased decentralization are two factors which are seen as vital to neoliberal public management reform by scholars such as Politt and Bouckart.¹ New managerial ideas in the form of governance models and decentralization in how it makes possible quicker and more adaptive public services.

Interestingly, the Swedish history of public reform shows differentiated advances towards these two factors. On the one hand, Sweden was comparatively late on adapting and accepting a new set of managerial ideals (which had gained a hold of public governance in the UK already in the 1980s), but on the other hand it had taken important steps towards decentralization of the public governance already by the 1990s.² In the debate in how New Public Management was implemented in Sweden, Ivarsson Westerberg argues that this was done through a three-step sequence in which decentralization occurred first, followed by trying out new models for organization and governance and then the final step of privatization and exposing to competition of public services.³

This paper is an outline of a future research project to examine the background of how management consultancy and notions of decentralization connected during the 1970s, and specifically through the interactions between Statskontoret (The Swedish Agency for Public Management) and the management consultancy firm SIAR (Swedish Institute for Administrative Research). The purpose of their contact on collaboration in the late 1960s and early 1970s was the theme of decentralization. The project aims to contribute to the understanding of the neoliberal shift affected the Swedish public administration, as well to the literature on the history of management consultancy and more specifically consultancy towards government agencies.⁴ My proposed project will answer the following questions.

- What was view on how to organize public administration and how influential was SIARs this position in their work with Statskontoret?
- How did the interaction between Statskontoret and SIAR elapse?
- What did it lead to?

¹Politt, Christopher & Bouckart, Geert 2017

²ibid

³ Ivarsson Westerberg, Anders. 2014)

⁴ see for example Kipping, Matthias and Engwall, Lars. 2002 and Marktanner, Alina 2022

Theory and methodology

The theoretic approach for this work is still fairly underdeveloped. A starting point is the already described notion of Ivarsson Westerberg how New Public Management broke through in Swedish public administration. This suggest that the focus in the ideas to reform the public governance would be on decentralization and that changes in organization, governance models and introduction of exposing public services to competition hadn't yet featured as suggested reforms. If signs of these types of reforms appear in any form, it could bring insight into whether a government agency as Statskontoret weren't yet aware of these possibilities or just not interested. Another interesting notion is how it is often that new public management was inspired by business-like governance, and it would be possible to discuss whether this has or can be shown in empirical examples.

The material for this research consists of both public records from the office of Statskontoret which includes both published reports, records from government assignments as well as the registry showing their correspondence with SIAR and (possibly other consultancy firms). There is also access to SIAR internal reports which shows both published reports and notes from consultants working with the client. SIAR kept their records registered by consultant and kept and shared notes among their consultants. The internal reports from SIAR are often of informal characters, containing both notes mixed with ideas for future projects. These records are there best to use in contrast with the more formal government records.

These reports will be put into a filemaker database in order to construct a timeline for how the interaction and work between Statskontoret and SIAR went on.

Decentralization

The process of government decentralization can manifest in several forms and can be driven by multiple factors. The motivation behind this phenomenon may stem from a desire to decentralize power, transferring authority from a central government to a local entity. This change aims to bring the political decision-making process in closer proximity to the public. One potential incentive for granting authority to semi-autonomous or autonomous entities is to enhance efficiency, therefore maximizing the utilization of their specialized skills. This perspective exemplifies transaction cost economics, when the decision to centralize or decentralize is driven by the objective of efficiently adapting to particular circumstances while minimizing transaction costs.

In the Swedish political discussion of decentralization of the 1960s and 1970s the main focus was on spreading government agencies more evenly throughout the country. A public investigation was set up, answering a call for a regional decentralization which stemmed back to the 1950s and public investigations on where specific Government agencies where

to be located.⁵ This public investigation (SOU 1970:59) came to recommend both specific government agencies suitable for relocation as well as suitable cities for these agencies to relocate to. The suggestions of agencies to relocate was made with the consideration that the agency should persist to be run efficiently, but there was also an acceptance of some loss of efficiency in relation to the benefits of locating the agencies outside of Stockholm. This stands in contrast to for example the British debates on how to reform the organization of government. There, a harsh critique existed, from both left and right, of the size, power and inefficiency of the Civil Service. This led to several policy strategies which aimed to cutbacks on funds and control cost in the search for greater efficiency. Something which was met by Civil Service strikes in 1973 and 1979.⁶ The situation in Sweden, which serves as context to the specific study of this paper, was far less marked by conflict and the question of efficiency and a need to reform government operations were absent. At least on the highest level of public investigations.

Influence of management

In harmony with Politt and Bouckaerts suggestions that the influences of new managerial ideas of public governance were adapted quite late in Sweden, it has been argued that the co-determination system of decision-making in Swedish companies restricted managerial initiative.⁷ The business life of other parts of Europe were Americanized through the inflow of American consultancy firm in the rebuild of industries and business after the second world war⁸. Even though Sweden was also part of the Marshall Plan, the need for rebuilding was low and the consultancy firms did not establish themselves. Rather new ideas of management were developed and spread by Swedish firms through the Swedish business schools⁹, even though they often took inspiration from American business life.

Examples of pioneers in management consultancy in Sweden can be found in the firm Ekonomisk Företagsledning AB (EF) who was the dominant firm in Sweden during the late 1950s. EF positioned itself as a company with strong knowledge of American business and was very practically oriented in its services. The initial abilities of the firm concerned classical matters of organizational consulting, rationalizing office work and administration, technical organizing and transportation. Over time this repertoire was advanced with marketing, human relations and economic planning and control. EF presented itself as a carrier of best-practice knowledge from the U.S. and selling this know-how from American business was a common

⁵ SOU 1970:29

⁶ Castellani, Lorenzo. 2018

⁷ Lawrence Peter and Spybey, Tony. 1986

⁸ Djeliv, Marie-Laure. 1998

⁹ Kipping, Matthias and Engwall, Lars. 2002

thread in how EF described their own operations in their own company paper *Ekonomisk Teknik* (Economic Technique).¹⁰

The most established way to bring managerial knowledge was through business education. This had been done since Oscar Sillén (the first Swedish professor in business administration) combined consulting and authoring handbooks in specific managerial techniques such as consulting. SIAR was a continuation in this tradition in how it started as research institute rather than a consulting firm. Over time it would however continually move away from an academic environment and operate very similar to other management consultancies from the mid 1970s and onwards.¹¹

SIAR was founded by Eric Rhenman who had held positions in business administration at Lund University and headed a research group at the Stockholm School of Economics (SSE) before starting SIAR in 1966. This project followed a previous research group (GAU) which did research focused on administration. With SIAR, Rhenman wanted to help firms' development better instruments for management. Rhenman also wished that clients of the institute had influence over the orientation of the research, which was controversial in the academic environment of SSE and therefore led to the creation of a separate entity for the combination of research and consultation.¹² SIAR undertook an outspokenly clinical approach to their research and to the clients which they were consulting for. In this the researchers and consultants saw themselves as diagnosing the clients (mainly businesses) they studied or consulted. This meant that they, from the mid-1960s to the 1970s, weren't very hands on in their approach to their clients. They rarely provided practical suggestions for their clients but rather wanted that the clients, through SIARs reports, would come to insight about what they needed to change in their operations. Over time, when SIAR faced more competition from consultancy firms, they became more practical and direct in their approach. This can be seen in internal SIAR documents which were used when SIAR presented their own historical development to new consultants.¹³

Statskontoret

The history of Statskontoret dates back to 1680 when it was broken out of Kammarkollegiet to be the specific office of the state and with the responsibility to arrange for funds to reach the different parts of the Swedish state. Over the 1700s the agency was an important part of the state on how it had responsibility to make sure that payments for war costs (among others) were transacted. This responsibility over the state's finances continued over the 1800s, and the agency also produced basis for decision concerning state finances and accounting. This

¹⁰ Metzger, Jonathan. 2018

¹¹ Kipping, Matthias and Engwall, Lars. 2002

¹² ibid

¹³ UPM-PEC-277, SIAR Presentation. Internal document used to present SIARs business and history to new consultants. 1985

practical responsibility over the state's finances was transferred in the early 1900s (to the new agency of Riksräkenskapsverket) and Statskontoret transitioned into a new role of being an investigative agency, especially in questions regarding the economy of the Swedish state.¹⁴

Through this, Statskontoret also came in contact with the assignment to find new ways to rationalize the Swedish state. In 1960, this became the central assignment for Statskontoret, through the merge between the agency and Statens Organisations Nämnd (The State committee for organization). These two had previously operated parallel to each other with similar responsibilities, but now the "new Statskontoret" had achieved a monopoly position of investigating how to best rationalize and organize the Swedish state. They had the authority to themselves initiate new investigations within this area, and were also assigned to investigate and install computers into the Swedish state.¹⁵

Preliminary findings

At the time of writing this, I have not yet accessed the registry of Statskontoret. This planned to be done ahead of authoring this paper. Due to illness a research trip, to the specific archival institution which hold the archive of Statskontoret, had to be canceled. Therefore, the presented findings here lean heavily on SIARs perspective and documentation of their assignment at Statskontoret.

SIARs consultancy operation changed over time, mainly through how they transitioned between being funded by research grants (as a research institute) to charging clients for organization and strategy advice. The academic approach to analyzing business was crucial to how SIAR operated a full fledged business consultancy firm from the mid-1970s and onwards. They still relied upon their theoretical definition of what a business idea was and that firms should aim to organize organically around this concept rather than seeking to fit into a specific organizational form or mimic other successful businesses.

They applauded and recommended adaptability and did this in one part in relation to their notion of the business idea and on the other part in contrast to long term planning, which SIAR found bureaucratic and arrogant. The business idea concept was established by Richard Normann, a business scholar who worked as a consultant and later CEO for SIAR and was a distinctive competence of the business which manifests what the company believes is to be crucial to its success. Occasionally, SIAR referred to as how the firm understand themselves to be able to make money. Parallel, their critique against long-term planning was referred by SIAR as Gränges-management which was in reference the Swedish mining company Grängesbolaget who, in SIARs view, represented a mechanical planning philosophy which

¹⁴ Granholm, Arne & Ryden, Margot. 1980

¹⁵ ibid

was done through a long-term budget. SIAR argued that this led to "more of the same" rather than being prepared change direction and re-orient the business in relation to the market.¹⁶

SIARs main "enemy" in how they viewed planning and strategizing came from the private sector (in Gränges). They did however publish reports on the public sector as well. They wrote several reports on the public building process and in 1974, Eric Rhenmann and Richard Normann co-wrote a report titled "Formulation of Goals and Measurements in Swedish Public Sector". This was written and published parallel to SIARs collaborations with Statskontoret so it is of interest to see how the advice they gave to Statskontoret corresponded with the content of this publication.

The contacts with Statskontoret were initiated already in 1968 but was the most intense between 1973 and 1977. The 1973 work was linked to an ongoing project at Statskontoret concerning the decentralization of Vägverket (the Swedish Road Association). In this work SIAR raised discussions on the possibility to govern on "meta-level", meaning the possibility to not manage at operational level (which would a regional level in the case of Vägverket). The question of rationalization appeared through the question of which type of operational capacity Vägverket should be funded to have¹⁷.

The collaboration continued to a project independent of Vägverket. Statskontoret assigned SIAR to write a report on the methodology of Statskontoret, once again with a type of "meta-level management" as one of the key words.¹⁸ This resulted in a set of reports, one on different organizational changes (which was published through Statskontoret) and one on the investigative traditions (utredningstraditioner) at Statskontoret.¹⁹

These reports were published in 1977 and five years after that, Statskontoret produced a report of their own on whether there was too much internal administration in the public sector. This report was partly written by one of the Statskontoret employees who hired SIAR and consisted of a historical account of how state bureaucracy had grown, what type of critique against bureaucracy which had existed at different times and that state of bureaucracy in public administration today²⁰. Several perspectives can be recognized from SIARs reports on their collaboration with Statskontoret, but the report also contains several perspectives (for example how operative work in the public sector had become more bureaucratic) which cannot be traced to the influence of SIAR.

These preliminary findings are mainly observations, and as has been said lack the Statskontoret side of the story. It can however be seen that SIARs critique of bureaucracy was directed towards firms which relied too heavily on long-term planning (such as Grängesbolaget) and not just the public sector. A discussion on how public administration

¹⁶ Carlsson, Rolf. 2000

¹⁷ UPM-CaD-215. Notes from discussion at Statskontoret. 1974

¹⁸ UPM-Cad-523. Inquiry from Statskontoret about a new project. 1976

¹⁹ Uppföljning av organisationsförändringar (Follow-up on Organizational Changes), Rapport 1977:16

²⁰ Engellau. Patrik & Granholm, Arne. 1981

can be managed was also a big part of what SIAR contributed to Statskontoret and an aspect of how Statskontoret came to formulate how they interpreted a critique against government bureaucracy. SIAR emphasised the need for a meta level of management which could formulate goals and strategies and control rather than lead the operations of the public administration. Whether this perspective was new in Statskontorets view of public management is yet unsure. Statskontoret did however initiate the contact with SIAR in relation to an ongoing work on Vägverket, which was a government agency which underwent a decentralization process at the time. Which suggest that there were notions of combining decentralization and rationalization at Statskontoret at the time. Perhaps not through specific governance forms, which Ivarsson Westerberg suggests broke through in the 1980s.

More detailed observations on the reasoning why Statskontoret hired SIAR and how the suggestions and advice from SIAR was received at Statskontoret are not yet available.

Bibliography

Literature

- Carlsson, Rolf – *Strategier för att tjäna pengar – Om affärsidén och andra SIAR-begrepp*. Ekerlids Förlag 2000
- Castellani, Lorenzo – *The Rise of Managerial Bureaucracy*. Palgrave Macmillan 2018
- Djelic, Marie-Laure – *Exporting the American Model*. Oxford University Press 1998
- Engellau, Patrik & Granholm, Arne – *Byråkraterns byråkrati*. Statskontoret 1981
- Granholm, Arne & Ryden, Margot – *Statskontoret 1680-1980, en jubileums- och årsskrift*. Liber Förlag 1980
- Ivarsson Westerberg, Anders – *New Public Management och den offentliga sektorn in Det långa 1990-talet: när Sverige förändrades*. Boréa 2014
- Kipping, Mathias & Engwall, Lars – *Management consulting*. Oxford University Press 2002
- Lawrence, Peter & Spytbey, Tony – *Management and Society in Sweden*. Routledge & Kegan Paul 1986
- Marktanner, Alina – The Only Game in Town? New Steering Models as Spaces of Contestation in 1990s Public Administration. *Administrative Science Quarterly* Vol 6, Issue 1. 2021
- Metzger, Jonathan – *Kunskapsekonomins pionjärer*. Stockholmia förlag 2018
- Politt, Christopher & Bouckart, Geert – *Public Management Reform (4th Edition)*. Oxford University Press 2017

Reports

- SOU 1970:29 – *Decentralisering av statlig verksamhet – Ett led i regionalpolitiken*
- Statskontoret rapport 1977:16, *Uppföljning av organisationsförändring*
- UPM-CaD-215 – *Diskussion om vägverksprojektet på Statskontoret den 12/2 1974 (1974-02-22)*
- UPM-CaD-523 – *Projektförfrågan från Arne Granholm på Statskontoret (1976-04-12)*
- UPM-PEC-277 – *SIAR Presentation (1985-06-03)*