INSTITUTO
UNIVERSITÁRIO
DE LISBOA

Consulting agencies on their wrongdoings in governments, crisis management is needed afterward, with a focus on the response.

Diogo Miguel Cardoso Alves

Master's in management

Supervisor:

PhD, Álvaro Augusto Rosa, Associated Professor with Habilitation,

Iscte – Instituto Universitário de Lisboa

September, 2025

Department of Marketing, Operations, and General Management

Consulting agencies on their wrongdoings in governments, crisis management is needed afterward, with a focus on the response.

Diogo Miguel Cardoso Alves

Master's in management

Supervisor:

PhD, Álvaro Augusto Rosa, Associated Professor with Habilitation,

Iscte – Instituto Universitário de Lisboa

September, 2025

Acknowledgments

First and foremost, I would like to give all my thanks to three people: my father, Fernando, my mother, Idalina, and my aunt, Maria Odette. These are the people who sacrificed everything for me to have an opportunity at doing this work or being who I am today.

Secondly, I would like to say thanks to all my friends for always showing interest in my thesis and always encouraging me to finish this project. Lastly, I would like to thank my advisor, Professor Àlvaro Rosa, for his insight and expertise, because without him, this project would have gone in another direction, and I also appreciate his full presence throughout the entire process. ISCTE also deserves its praises because of the amazing educational experience it was able to provide.

This is a topic that is truly important to me, and that's why I dedicated a lot of time and effort into providing a good piece of literature as this is a topic I want to take with me forever, as I want to look for a career in crisis management inside a government organization, as I see an increasing need for it now and even more in the coming years with the development of new technologies.

Resumo

O objetivo desta tese é criar a noção da necessidade de um planeamento de gestão de crise dentro de governos, portanto, para conseguir criar esta ideia, será feita uma análise de 3 casos em que serviços de consultoria falharam no seu objetivo e será analisado como é que o governo tenta resolver a crise. Com este trabalho, pretende-se também alertar para o uso elevado de serviços de consultoria dentro do governo.

Tendo em conta a falta de artigos que abordem os tópicos dentro desta tese, tem como objetivo juntar ambos, de forma a conseguir perceber-se os níveis de preparação de governos para lidar com crises, bem como para dar a entender os erros dos consultores que hoje são vistos como indispensáveis. Primeiramente, fala-se um pouco de como surgiu a consultoria, a sua influência dentro do governo da Austrália e do Canadá, e de seguida, aborda-se um pouco sobre a definição de crise, gestão de crise e como responder perante uma crise. São também mostrados outros casos de má qualidade de serviços de consultoria, para ilustrar a variedade, mas não serão analisados.

Os casos que se vão analisar têm como intervenientes o governo da Austrália e os serviços da PWC e IBM, e o último caso envolve o governo do Canadá e IBM, dois dos casos são bastante semelhantes em que o fornecedor do serviço IBM não conseguiu entrar em sistemas de pagamentos e o último caso envolve um conflito de interesses. Por fim, são analisadas as medidas do governo.

Palavras-Chaves: crises, gestão de crises, consultoria, governos, resposta

Classificação JEL: H11, H12

Abstract

This thesis aims to highlight the need for crisis management planning within governments. To develop this idea, three cases in which consulting services failed to achieve their objectives will be analyzed, focusing on how the government attempted to resolve the resulting crises. This work also seeks to raise awareness about the extensive reliance on consulting services within governments.

Given the lack of articles addressing the specific topics covered in this thesis, the objective is to combine both areas: assessing governments' preparedness for crises and illustrating the mistakes made by consultants who are often considered indispensable today. First, the origins of consulting and its influence within the governments of Australia and Canada are discussed. This is followed by a discussion of the definition of crisis, crisis management, and appropriate responses. Additional cases of poor-quality consulting services are presented for illustration, though they will not be analyzed in depth.

The cases analyzed involve the Australian government with PWC and IBM, and the Canadian government with IBM. Two of the cases are very similar, where IBM failed to integrate into payment systems, while the third involves a conflict of interest. Finally, the measures taken by the governments in response to these crises are examined.

Keywords: Crises, crisis management, consulting, governments, response

JEL Classification: H11, H12

General Index

Acknowledgments i

Resumo iii

Abstract v

General Index vii

Figure Index ix

Introduction 1

Literature review 3

Research Questions 13

Methodology 15

Data presentation and discussion of results 17

1. Australia IBM Health System payroll 17

1.1 Government measures to resolve the situation 18

2. Australia and the PWC Tax Leak Scandal 23

2.1 Government measures to resolve the situation 23

3. Canada IBM Payroll system 27

3.1 Government measures to resolve the situation 28

Wrongdoings and responsibilities 31

Conclusion & recommendations 33

Bibliography 37

Figure Index

Figure 1- Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. Governance P.6 4
Figure 2- Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. Governance P.11 5
Figure 3- Problems associated with the Consulting- Source: Diogo Alves 31
Figure 4- Problems associated with the Government- Source: Diogo Alves 32

Introduction

We have witnessed the rise and expansion of consultancy firms in the modern world, ranging from small companies to large corporations. These firms have significant reach, operating across multiple industries, which means they have the potential to impact numerous markets. Given this, they will continue to play a major role in the global landscape in the future.

Governments and private companies frequently hire consultancy firms to provide services of various kinds. However, these firms do not always deliver the expected results. They do not possess solutions for every situation, and in some cases, issues such as corruption interfere with their effectiveness. Therefore, it is crucial to regulate their areas of influence and determine in which sectors their involvement is appropriate.

This dissertation will focus on cases where consultancy interventions did not yield positive outcomes and the crisis management strategies required to address the negative consequences of their actions. This research specifically examines interventions requested by governments, highlighting the extent to which consultancy firms influence our daily lives by working directly with public institutions.

The primary focus of the study is on the response phase of crisis management. Crisis management can be divided into four key stages: pre-crisis, crisis, response, and post-crisis. This paper focuses on the response phase because, after reviewing the existing literature, it´s clear that few studies directly examine how to manage the consequences of malpractice by consultancy firms. As these firms are being utilized more than ever, and their influence is expected to grow, this is an increasingly relevant topic.

In this paper, it is important to clarify that it is not suggesting that all consultancy work leads to negative outcomes. Undoubtedly, these firms have contributed to many successful projects. However, it is important to acknowledge that they do not have solutions for every scenario, as they are not experts in all fields. Additionally, there are certain areas of influence—particularly in government matters—that should be restricted to avoid conflicts of interest and corruption.

As previously mentioned, consultancy firms' influence is only beginning to expand. There is evidence to believe their role will grow even further in the future, making this study particularly relevant. This research aims to illustrate how consultancy firms are sometimes ill-equipped for certain tasks, how internal corruption can undermine their purpose, and, most importantly, what actions should be taken when things go wrong. Establishing contingency plans for such scenarios is essential.

The research on these subjects suggests that the causes behind failures are due to a lack of understanding of the complexity of some projects, the conflict of interests that arises in certain areas, the influence that some of these firms exert on some key regulations, and even senior politicians who must be evaluated to understand if there is any underlying goal behind it. This paper also tries to showcase the consequences of bad interventions, as it will elaborate further on the paper we see the budgets of projects skyrocketing to huge values, the government at end need to spend more money on correcting the mistakes and we see that the majority of people affected by this interventions end up to be the every-day-people that don’t have a say on what was happening and is there tax being used to finance projects that do more harm than good.

This dissertation will be structured as follows: It will begin with a comprehensive literature review on crisis management, with a specific focus on the response phase and on consulting. This will be followed by an in-depth analysis of the selected case studies. Next, the methodology used in the research will be explained, followed by data presentation and discussion. The dissertation will conclude with final remarks and recommendations.

Literature review

1. Consulting history

Before being known as management consulting, it was called Management Engineering. It was the name before World War 2. Alvesson (2004) gives the following definition for consulting: We refer to consultancy firms as private sector companies comprised of professionals or experts who advise public and private clients on identifying problems and solutions on a fee-for-service basis.

The growth of the profession came from the development of the concept of "scientific management ", the concept combined the practice of engineering with economic concepts, this combination led to the creation of the profession we now know as Consulting. Consulting services started to develop in developed countries. Several factors contributed to the growth of consulting firms, including wider and more comprehensive service offerings, increased competition in the consulting sector, and the globalization of the sector.

The Internet revolution is considered to be the best years for the sector as it has seen an annual growth between 15 % to 20 %. Wright and Kipping mention that consulting firms are now focused on giving expertise in terms of organizational and strategic planning rather than providing suggestions on how to increase efficiency at the lower level.

2. Consulting firms' contribution to governmental decision-making

This next part will discuss the role of the consulting firms in the government. The primary use of government consultants is for policy advice and ideas (Jupe & Funnell, 2015; Keidar, forthcoming, 2018; O'Mahoney & Sturdy, 2016). Some studies suggest that governments utilize consultants to enhance policy legitimacy (Jupe & Funnell, 2015; Momani & Khirfan, 2013). There have been defined 2 main roles of consultants and their impact on the government has been determined, including core policy formulation, non-core policy formulation, and linkage. The core formulation places the consultants in direct contact with senior politicians, it extends to generation policy, seeing other alternatives, it can also include the creation of proposal that will be on the parliament being discussed while the linkage is less pronounced, it consists of helping from the outside, for example giving data when its needed and it´s main characteristics is the limited interaction with the policy makers.

We need to be aware of the different types of influence that come with each role. The core means a direct influence in the policy formation and the influence they can have on

politicians, while the linkage is their only true influence on which policy may be selected. In my opinion, the usage of the linkage role is truly important, just because they have access to data that sometimes the government may be neglecting or maybe are just not even aware of it. The usage of core consultants is something that I´m more skeptical about, seeing that some personal interest may become a priority and therefore obscure their need not to be biased.

3. Consulting usage by governments

We now have some studies that show the influence and usage of consultants in two different governments, the Australian government and the Canadian government. What we will see is two different types of usages and their outcomes and impacts. The Australian government is known for its high usage of consultants in policy formulation and implementation (Dent, 2002; Phillimore & Arklay, 2015; van den Berg et al., 2019).

The following image describes how the consultants are being used by the Australian government:

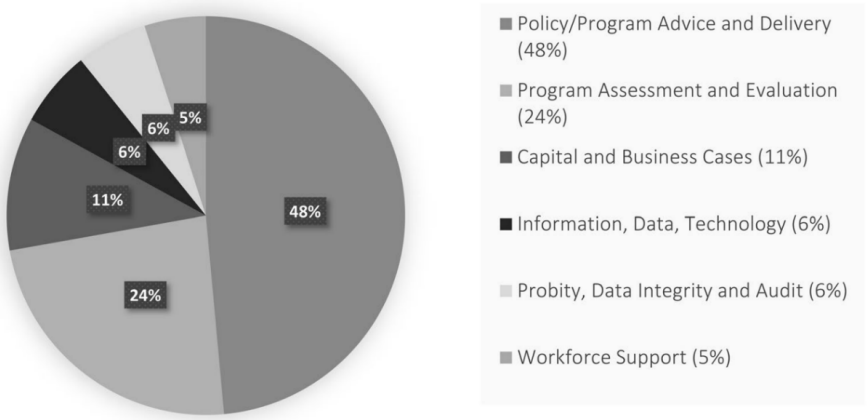


Figure 1Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. Governance P.6

As the graphic shows, almost 50% of the work done by consultants is on policy/program advice and delivery, and it´s followed by 24% on program assessment and Evaluation, which has some correlation with policy work.

In this study it were done some interviews to personnel of the Australian government on their thoughts on the graphic above and more topics, one senior office said the following: “we often end up using consultancies for core policy work, even though that's the space where you think, well, surely the bureaucracy has got superior experience and skills”, the usage of the consultants in policy making is being described as useful seeing there are recognized limitation of the

personnel in the government another senior public servant said the following: “public servants do the scut work, and the consultants are brought in to do the interesting, inventive, creative work. Because that's where the talent is. So, it's a vicious cycle.” (Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. Governance, 6.)

Now, moving on to the usage of consultants in Canada, it's described as mainly a support role, and it´s mainly just linkage work, the core formulation of policy is reserved for public servants, one senior public servant said the following: “when it comes to proper policy, it's more about using those forums [referring to health service providers] than about using a consulting firm”, One consultant and former public servant said: “a lot of the use for consulting firms is on smaller, tactical questions, not quite operational policy, but not strategic policy” (Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. Governance, 10 .)

The following graphic shows the usage of consultants in the government of Canada:

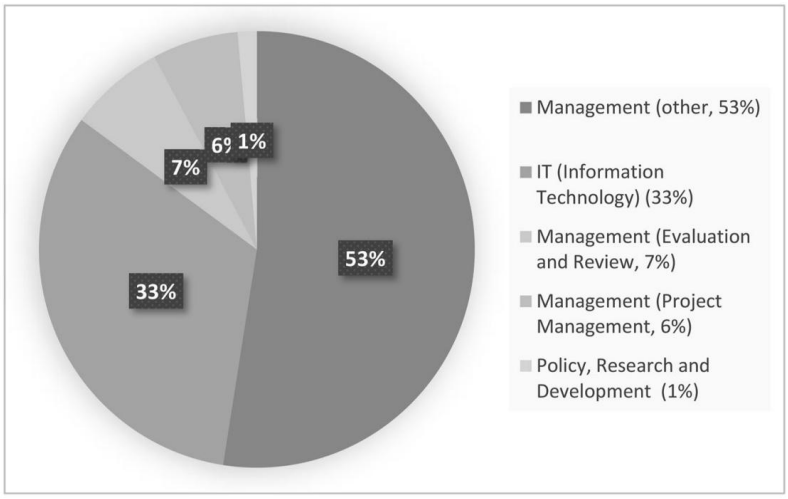


Figure 2Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. Governance P.11

As we can see, there is no percentage attributed to “policy/program Advice and Delivery” like there was in the Australian government, and only a small percentage of 1% is attributed to “Policy Research and Management” while most are attributed to Information and Management.

4. Wrongdoings by consulting firms

The next part of this paper will talk about the wrongdoings of the consulting firms and discuss the problems that may be linked to hiring a consulting service, and some statistics from consulting firms, so we can have a higher understanding of their success rate. A paper from (Levine, Huitema, Jager & Bijlsma, 2024) identifies 4 main issues: the biases, the decontextualized global practices, market interests, and manipulative practices.

It is also mentioned by (Stone et al., 2021) that consulting companies use the one-size-fits-all approach and don´t take into account the specific context in which the company or government may be. Bouteliger (2011) also talks about the fact that sometimes consulting works to benefit the growth of their market; there is also evidence of some lobbying (e.g., Clapp, 2005; Opoku et al., 2015) so that they can become more competitive. In the case of the government, there is also the fact that consulting firms are profit-driven, a fact that does not correlate with the government

One report on McKinsey & Company, Gallup, Genenca, and PMI has shown the poor record that the consulting firms are having on their consulting projects. The Standish Group 2015 CHAOS Report, it´s important to mention that it only relates to the software development industry and shows that on 50.000 projects, 71% of them have failed to meet the requirements, being the requirements, on time, on budget, and satisfactory result. The problem is even higher with medium-sized and large projects, with 91% and 94% rates of failure. Hastie, S., & Wojewoda, S. (2015). Standish Group 2015 Chaos report-q&a with Jennifer lynch. *Retrieved*, *1*(15), 2016.

Seeing this track record, we can understand that the success rate is low for almost all the projects, but one thing that this report doesn´t specify is the percentage of those that were delayed and those whose failure was either due to budget problems or just satisfactory results, because there is the argument that sometime it´s fine, not obliging the schedule as long as there are solid proofs that the project is doing great and just needs some more time.

This part focuses on exploring and analyzing some real-life cases where consulting didn´t work out as expected. The first case we have is from the USA, the state of Texas, and how they spent $367 million $ on an unusable child support system. The goal of the project was to have a secure system that would reduce the work done by staff members, manage information online, and offer some other platforms for parents to communicate with the Child Support

Division. The project got delayed by about 15 months, and the size of the budget kept increasing.

The aspects that went wrong on this project are as follows: exploding costs, the project started with Deloitte's in 2007 with a contract of $ 1.8 million, then it went to $46 million and was awarded to Accenture, then went to $ 69.8 million, then it increased to $ 156.9 million, and in 2019 the final value of the project was $ 367.5 million. The other aspect was the outsourcing challenges; for the consulting firm to be able to make a profit, it had to outsource the job of programming to 165 programmers in India. This raised security concerns because Indian Programmers were given access to state data and were working remotely. The other aspect was performance Issues; the program was never able to comply with the satisfactory levels expected of it. It was too slow, and the improvements were never enough to correct the situation. Defect and Integration issues, in 2018, the state of Texas ordered testing on the program and found 1000 errors, ranging from typos to security problems also, the transfer of financial information from the previous system to the new one was not working. Lastly, the delays caused the loss of the vendor of the security software, and there was a need to be updated; this update was only possible after every error was corrected.

The second case involves the implementation of the SAP Software and a National Grid NGUSA, which is based in the UK, but the problem occurred in the USA. The project was due to go live on November 5, 2012. This project was already delayed and had increases in the budget over time; if it didn´t go live on this day, it meant delays once again and possibly another $50 million. However, there were major problems with the project, which were the following: Problems with the payroll, which meant some employees would either receive extra, less, or nothing at all. The amount paid in over-payments was $6 million, and the amount that was never recovered, and there was a need to pay $12 million in settlements to employees. Vendor payments: After the project was live, the NGUSA had 15,000 vendor invoices that couldn´t be paid. Financial reporting: Without the SAP software, the company would take around 4 days to close its financial books; after the implementation of the software, it took the company a staggering 43 days to close its books. To fix the job, it cost NGUSA $585 million, which is the equivalent of 150% of the cost of the implementation.

Crisis definition

In times of crisis, we look to the highest authority to manage the situation, typically the prime minister and their cabinet. We expect them to have the capacity to prevent crises and, at a minimum, mitigate their consequences. A crisis is an inherently complex and large-scale process, made even more complicated by media coverage, which exerts immense pressure to resolve the issue swiftly (Boin, Hart, Stern & Sundelius, 2005).

A crisis consists of two distinct aspects: the first is the threat, and the second is uncertainty. The latter pertains to the unknown consequences that may arise from the crisis (Boin, Hart, Stern & Sundelius, 2005). This observation is entirely accurate, as crises may be similar, yet their outcomes vary. This is why no two crises are truly identical, and solving one does not provide a universal guide for handling others. Typically, the threat itself remains more consistent.

A crisis can affect three primary areas: public safety, financial loss, and reputational damage (Coombs, 2007). Additionally, there are three phases of a crisis: pre-crisis, crisis response, and post-crisis. This dissertation will primarily focus on crisis response. Through the review of journals and academic papers, it was found that crisis management is a field divided into multiple categories (Boin, 2004; Lalonde, 2007). This division is understandable since definitions of crisis management depend on the specific subject under study.

In this paper it´s used the following definition particularly relevant to the topic, as it is broad and does not limit itself to a specific crisis: "a serious threat to the basic structures or the fundamental values and norms of a social system which – under time pressure and highly uncertain circumstances – necessitates making crucial decisions" (Rosenthal, ‘t Hart, and Charles, 1989: 10). This definition pertains to institutional crises and allows for the inclusion of a wide range of crisis types. Institutional crises are particularly relevant to this dissertation as they directly relate to government operations.

Another relevant definition is that of crises of public perception (Seeger, Sellnow, and Ulmer, 1998; 2003), public perception is closely linked with institutional crisis; this definition states that this crisis is based on the perception of the crisis management actors of the event relative to 3 aspects: threat to organizational values, surprise, and short decision time. These two definitions are strongly linked, but the main distinction lies in the element of surprise inherent in crises of public perception. Both definitions are pertinent to the dissertation, as the cases examined involve both government and public perception. In these cases, the public may

be involved either directly or indirectly, while the government plays a key role. The first-ever crisis model, proposed by Hermann (1969), identifies three key elements: high threat to valued goals, limited decision-making time, and surprise.

Nonetheless, the notion of surprise does not play a major role in crisis management. Hermann (1972) later conceded that surprise minimally influences crisis response. Additional studies indicate that crises can occasionally be foreseen through early warning indicators (Turner, 1978; Pidgeon, 1991). These researchers contend that crises frequently start with an incubation phase, during which warning signs exist but remain unacknowledged due to communication barriers.

A crisis does not emerge out of nowhere—there are always indicators that something is brewing. However, these signs are often difficult to detect because they are dispersed throughout complex systems, such as government structures. As Boin, Hart, Stern, and Sundelius (2005) state in their book, "Crises, then, are the result of multiple causes, which interact over time to produce a threat with devastating potential."

It is easy to see why most government agencies are not equipped to recognize looming threats. Modern governments and corporations are goal-oriented, focusing on tracking their progress and achieving objectives rather than monitoring potential crises. Governments employ a problem-driven search approach, meaning they seek feedback related to their goals and only track risks they are already aware of (Boin, Hart, Stern & Sundelius, 2005). To detect crises effectively, governments must actively search for unknown events and patterns (Boin, Hart, Stern & Sundelius, 2005).

While it is understandable that governments prioritize tracking their established goals, this mindset must coexist with proactive crisis detection. More than ever, a dual approach is necessary. One effective solution would be to create a dedicated agency or department responsible for identifying potential crises. Of course, interdepartmental collaboration would be essential, as research indicates that crisis warning signs are often embedded within organizations (Boin, Hart, Stern & Sundelius, 2005). Another crucial factor is that crises frequently arise from underestimated or neglected issues. Cutlip et al. (2006) also highlight that crises can stem from failed objectives, emphasizing the importance of redefining goals.

Crisis Management

Crisis management strategies can be categorized into reactive and proactive approaches. The reactive approach primarily consists of structured procedures and guidelines for responding effectively (Loosemore and Hughes, 1998; Zuzak and Königova, 2009; Zapletalova, 2012; Sahin, Ulubeyli, and Kazaza, 2015). A key element of the reactive approach is organizational learning—governments can gain valuable experience from past crises. Conversely, the proactive approach focuses on anticipating and analyzing potential crises before they occur.

Crisis management operates on two levels: strategic and operational. The strategic level involves political agents, while the operational level consists of those responsible for implementing policy decisions. In my view, both reactive and proactive approaches must coexist. Prevention and anticipation are crucial, but structured guidelines and procedures are also necessary. However, these guidelines should be flexible, as no crisis is identical, and rigid plans cannot provide universal solutions.

This thesis revolves around two main themes: crisis management and government implementation of crisis response. The governmental environment presents unique challenges as political considerations influence decision-making. In democratic societies, multiple stakeholders have a voice, necessitating solutions that meet various criteria. Governments facing crises also contend with public scrutiny regarding their effectiveness, given that the crisis emerged under their administration (Kouzmin and Jarman, 1989, 397-98).

Crises create conditions that foster political or structural change. Those managing a crisis must recognize that change is inevitable and that their leadership may be at risk. The intersection of politics and crisis management is challenging, as bureaucratic systems often hinder rapid decision-making (Haas, Kates & Bowden, 1977). This paper agrees with this assertion—a crisis does not wait for lengthy discussions, and consensus-building takes time. In times of crisis, bureaucratic procedures must be streamlined to enable swift, decisive action. A crisis doesn´t wait for a discussion to occur, and one solution that is agreed upon by everyone takes a long time to be achievable. So, in times of crisis, there must be an understanding that the normal bureaucratic system doesn´t work because there is a need for quick and decisive measures to be implemented. There must be a centralization of the decision-making.

Rosenthal, T Hart, and Kouzmin (1993) propose a three-part model for crisis decision-making. First, decision-making power should be concentrated among a select few. Second, regional or local agencies should be involved. Third, this centralized approach should be used

only when necessary. This model is logical and feasible; having fewer decision-makers facilitates consensus. However, concerns about concentrated power can be mitigated by involving local authorities, who provide insights into the specific challenges that need addressing. Additionally, defining the types of crises that warrant this approach should involve a bureaucratic process.

Crisis Response

Crisis response often requires multiple agencies to collaborate. A major challenge is predicting which agencies will need to work together, but adaptability is crucial (Bjorn & Eriksson, 2023). A fundamental risk in crisis management is misinterpretation, which can lead to misguided decisions, worsening the situation, and prolonging its resolution (Lagadec, 2008).

Lagadec states the following “It must be entrusted basically to persons and systems with the appropriate form of intelligence. Not the “procedural intelligence”, ideal for repetitive phenomena. Not even “intuitive” intelligence when we have to work with just 20% of the necessary information. But “creative intelligence” which demands (and rewards) imagination, well beyond any given set of guidelines; and, more: people who feel comfortable and creative in a destabilized world, where the dice have not yet been rolled”**.** Lagadec highlights that crisis leadership requires "creative intelligence," as opposed to procedural or intuitive intelligence.

Leaders must be imaginative and comfortable navigating uncertainty and making decisions with limited information. "At all levels of government, we must build a leadership corps that must be populated by leaders who are prepared to exhibit innovation and take the initiative during extremely trying circumstances" (The White House, 2006: 72). However, most leaders are chosen for their adherence to best practices rather than their crisis management abilities. (Lagadec 2008) mentions two problems that politicians need to avoid: the bureaucratic dilemma that I mentioned previously, which delays the reach of solutions, and the loss of nerve within the public and the entire chain of command.

As previously mentioned, crises can be divided into different phases, and this dissertation will focus on the response phase, as it is during this stage that the future of organizations and governments is determined by how they handle the situation.

In today’s digital era, where information spreads rapidly, crises generate waves of negative comments and public scrutiny. Therefore, the spokesperson responsible for media communication must deliver clear and positive messages, emphasizing the measures being

taken to address the issue (Hearit, 2006). The same author also argues that issuing an apology should be a key procedure, as modern politicians often refrain from making statements or downplaying the severity of the situation. However, public tolerance for crises has diminished, making effective and transparent communication more critical than ever. Coombs (2007) introduced an innovative approach to crisis management in which empathy plays a fundamental role. In today's world, a lack of empathy among politicians is evident, yet this sentiment can be crucial. Demonstrating genuine concern for those most affected by the crisis can help leaders gain time and credibility with the public. However, this display of empathy must be authentic, as insincerity is easily detected. Additionally, Coombs identified three key elements for an effective crisis response: speed, accuracy, and consistency.

In summary, Coombs (2007) provides us with eight key points to consider in the initial response:

1. "Be quick and aim to respond within the first hour.

2. Be accurate and careful, evaluating all information.

3. Be consistent, keeping representatives informed about crisis situations and the key messages to be conveyed.

4. In matters of public safety, establish a priority call line.

5. Use all available communication channels.

6. Offer expressions of comfort and sympathy to the victims.

7. Involve employees in the initial response.

8. Be prepared to provide support to crisis victims and their families, including employees."

Research Questions

The research questions that drive and are behind the elaboration of this thesis are as follows:

1. What were the factors or circumstances that led to the failed projects of the consultancy firms?
2. Were there warning signs indicating that a crisis was imminent?
3. What was the government's response to these crises?
4. What could be the consequences of the consultancy firms' failures?

The first question is super important, seeing if there is a better understanding of what the main causes for failure are, is something that can be studied and better understood to prevent it from happening in the future, so this would also help both the government and the consultant side. The second question refers to the point that crises send any signal before it comes to fruition. It´s important to see if there is any sign in the following cases, so that every organization becomes aware of looking for signs before a crisis emerges. It's an important part of any crisis management team, the ability to look for signs a crisis might be brewing.

The third question is main focus of this thesis to see what and how the government reacted to the situation, this is the main focus oh this paper because it´s one of the more important points when it comes to deal with any crises, that's is why a major focus is put later on this paper about the way the government dealt with the situation. The final question is what the consequences of the failures were, there can be financial and reputational impacts on both parties.

The main objective of this dissertation is to analyze cases where consultancy firms negatively impacted organizations and to understand how governments managed the resulting crises. Additionally, the following secondary objectives will be explored:

i) Assess whether governments have crisis management plans in place.
ii) Identify preventive measures that governments can implement to mitigate future risks, considering the increasing reliance on consultancy firms.

Methodology

Concerning the methodology aspect, it´s a performed by the analysis of several documents, seeing the paper is based on a literature review, and we are not using any data from interviews or questionnaires; it only uses data collected from articles and other sources like newspapers, YouTube interviews, government websites showing reports on how the situation was handled or recordings of how the government dealt with the situation they had. The way to gather data is through the analysis of documents, searching for the information needed, and also looking at each case that is presented in this paper, and seeing if there are any common strategies used to deal with a similar situation. The information on the strategy used by governments to deal with the situation will be gathered from the site of the government that details their every move, and with official reports from the said governments.

This paper has some limitations. It´s important to note that the paper only discusses 3 examples, and the nature of the crisis is somewhat different in each case, so this is not to take as a solution for every case, has it´s mention on the paper a good crisis management must not be one plan fit all, is only to act as a start to talk more about this subject, seeing the increase in usage for consulting firms and how little information there is on how to deal with a down fall of their work. Another limitation of this paper is how little information there is about failed consultant firms, especially involving some form of government. Another limitation is that this is not a full guide on how to act; it only serves as an introduction to this subject.

The goals of this paper are to find, strategies that were used that had a good impact on how to deal with and solve the situation, but also to provide and initial guide on how to act if this situation unfolds once again, so that there is an understanding of what is key and also on what no to do, this aspects may not look like much, but avoiding mistakes at the beginning of a crisis can gain you time, and the government does not look so out of his depth on the subject, the same can happened if you do the right things at the beginning, it makes you look more informed and in control of the situation.

One other goal of this paper is to understand if there are any plans on how to act if a crisis of this nature unfolds and if there is, is that plan effective, and of course if there is no plan at all this paper is to act as guideline to creat one and to also creat the understanding of the benefits of having a plan, because now-a-days countries and government are becoming more reactive and less proactive, due to the fact of the idea that crisis are born from nowhere and another goal of this paper is to make government officials understand that there are small signs of crisis we have just built infrastructure to be goal oriented instead of goal oriented and crisis oriented. As discussed in the literature review, there are always signs that a crisis is emerging; we just can´t interpret these signs.

Data presentation and discussion of results

1. Australia IBM Health System payroll

To explore this issue, three case studies were selected. These cases share two common elements: first, they all involve consultancy firms making flawed interventions, and second, all were contracted by the government. The Australian government has had multiple problematic encounters with consultancy firms. The advantage of studying similar cases within the same governmental framework is that it allows for a comparative analysis of the strategies used in different scenarios.

This will help assess whether similar approaches were applied and how effective they were in addressing the crisis. Further in the paper, each case is going to be discussed in detail. The main reason for the creation of this paper is because, as shown in the literature review, the influence and market of the consulting firms are on the rise, and seeing this appearance and seeing that there are little academic studies on the subject it´s importance to start and the paper is to act has a reminder to start to talk about the subject and do more research on the subject.

The first case is a case involving the consulting firm IBM and the Australian government, where the job that was asked of the IBM consulting firm was to replace the existing payroll system in Queensland Health´s; it was expected to cost 6.19 million Australian dollars, it so happened that at the end of everything the project will cost 1.2 billion Australian dollars to develop and operate properly. Once the system was live on pay day, several staff members of Queensland Health didn´t get paid at all or were incorrectly paid either more money or less money. It´s important to mention that there are 85,000 employees and that there were 35,000 payroll mistakes. IBM signed the contract on September 12, 2007, with an official value of 98 million Australian dollars. In October 2008, IBM didn´t have any criteria for the contract performed, but had already received 32 million Australian dollars.

The system went live in March of 2010, 20 months after the original due date, and the contract went from AU$98 million to AU$101 million. Shortly after it went live, it was mentioned that it led to 35,000 errors in payments, and by now, the cost was AU$400 million. It was said by KPMG that to deliver a fully operational system, it would take an additional AU$836 million. Another situation that occurred after this downfall was that the government in power did not proceed with legal action against IBM but rather negotiated a settlement, and it didn’t recover any of the money given to IBM all of this happened in 2013.

In the year 2016, the government in power tried to recover some of the lost money from IBM; however, it was the opposite, and it was ordered to pay a significant amount to IBM from this failed attempt to recover some of its investment. The legal action failed because IBM pointed out a document from 2010 that cleared them of any damage claim that may happen in the future. So, at this specific point, it shows that even the consulting firms are aware that they can fail and try to implement a saving mechanism; however, the government trusted blindly in the ability of IBM and did not implement a method to recover some of the money in case of failure.

In this paper, it won´t be shown every single decision that was made in relation to the problem at hand, but a few were selected from the official government website for the cases revolving around Australia; the use of government websites was chosen for reliable information.

1.1 Government measures to resolve the situation

In April of 2010, the Minister of Health, Paul Lucas, said the following:

"This is part of going to a new pay system that will be better for everybody in the longer term, but I apologize for any errors in the transition. That's why I have made it clear to Queensland Health that they need to fix any errors immediately."Queensland Health has been working closely with staff and unions in the lead-up to the changeover and will continue to work with them to identify and remedy problems for our staff. What's more, if anyone is out of pocket for bank or dishonour fees, Queensland Health is absolutely committed to reimbursing them." Lucas, P. (2010, April 1). The Queensland Cabinet and Ministerial Directory. Queensland Government. https://statements.qld.gov.au/statements/60824

In this message to the public, we can understand that the minister had decided on two things: first, that there would be a need to rectify the errors immediately, and that any costs related to the system errors would be reimbursed. A week later, the consulting firm KPMG was brought on board to help resolve the issues in the new system. The assessment made was that a significant amount of work had been done to address existing problems; however, not everything will be resolved in time for the next pay cycle. The main focus was to address pay issues related to part-time workers and casuals, as they were the most affected. Then the minister also stated that measures will be in place to help those who don´t receive the money either on time or correctly, including cheques from payroll offices, cash payments, and manual

processing of pay. It also established a hotline specifically to address issues related to the new system. The minister stated the following: “While great effort has gone into making sure we are working to a better result from this pay cycle, we must be frank in telling our staff we do not expect it to be perfect.

“For this, we apologise and will continue to strive to make this payroll system work for our hardworking staff members”. Lucas, P. (2010, April 18). The Queensland Cabinet and Ministerial Directory. Queensland Government.
https://statements.qld.gov.au/statements/60981

The consulting firm KPMG also released a report on the new payroll system and proposed several recommendations to enhance the system. One aspect mentioned in the report is the close relationship between Queensland Health and the unions representing its staff. The next task for KPMG was to devise a more effective way to develop and implement the payroll. The following was also stated by Ms Bligh: “If that report indicates that there needs to be action taken against any individual or company, I won’t hesitate to take that action,".

The next step in addressing this situation was to implement recommendations by the Auditor General, in which Ms. Bligh stated that the following measures should be taken to move to a local health payroll model and re-examine the use of the Workbrain rostering system over the next three months. Issue a showcase Notice to IBM and reserve the right not to make the final payment, seeking damages, and overhaul Corptech, abandoning the one-size-fits-all approach to the payroll system across the entire government. Once again, and this was stated by the Premier, Ms. Bligh at the time, as follows: “I apologise sincerely to every one of those Queensland Health employees and their families who have been affected by the recent payroll problems.”

More support for the staff was announced. The first thing mentioned was that a local payroll system would be in place in September 2010. This local payroll system would be located at the major Hospital, and the call Center would double its size to accommodate the staff's needs. There is also a system that provides one-to-one support dedicated to individuals with complex situations. The Minister of Health also stated that everybody who had been overpaid up to June 30, 2010, with an amount of $200 won´t have to repay this amount. This time, help from another consulting firm, Ernst & Young (E&Y), was utilized, and their recommendation was to review the software system, which was subsequently done. In August 2010, the

government announced that the local payroll system was only delayed by a month and that they were on a great path to deliver it. It also mentions that it had taken steps to make IBM accountable for its performance.

The payroll model was implemented statewide on October 1, with the intention of assisting staff members in need.

Mr. Lucas said the new model was delivering a more responsive payroll service.

“Of course, this isn’t a silver bullet fix, but we hope it will make a real difference to the day to day experience our hard-working staff have when they interact with payroll,” he said. “We are working very closely with our payroll staff and their unions to get this right. We said we would consult before making changes, and that’s what we have done”. Lucas, P. (2010, October 1). The Queensland Cabinet and Ministerial Directory. Queensland Government. https://statements.qld.gov.au/statements/63017

The Deputy Premier and Minister for Health, Paul Lucas, has stated that the government had received from EY a report and roadmap on how to fix the payroll system and even improve the system, he also stated that the government consulted with Unios on said report to have the approval of a key aspect of the whole process. The report from EY was released on November 23rd, 2010. The report outlines the following measures to improve the system: planned updates to be carried out monthly from November 2010 to June 2011, to achieve a better overall system. The second measure is that, starting from January 2011, there will be a reconfiguration of the entire system to significantly improve it in every aspect, and also introduce new features. The new features include electronic forms processing, improved leave and termination processing, enhanced reports, and a payroll portal, allowing future staff to have easier access to these services. An important aspect to note is that all the improvements above will be tested first on a copy of the same software, ensuring that none of the features are introduced into the real system and cause more harm than good.

The government stated that its report and all its measures will cost a total of 209 million dollars, $107 million will be directed to payroll staff, $ 46 million will be directed to pay for software and to experts to deliver the improvements, and the remaining $55 million will be spent on advisors and IT technicians.

On May 31, 2011, the government announced that it would initiate the process of recovering overpayments. This process aims to recover $62 million from approximately 38,000 staff members. The government has kept its promise not to recover overpayments exceeding $200, and 22,000 staff members are benefiting from this measure. The government will also reimburse people who were benefiting from the measure but had decided to pay it anyway. Mr. Cairns, a representative of Queensland Health, stated the following: There is absolutely no denying that we wish we had never had to go through this process in the first place. "Again, we apologise to the staff for this happening.

I want to make it very clear that staff will be given every opportunity to ask questions, raise concerns, dispute amounts, and determine the reasonable rate of repayments. "Further to this, Queensland Health has also worked with the Australian Tax Office to ensure staff who have been overpaid won't have to pay tax on the value of the overpayment. "I also want to reiterate that no person will be required to make an immediate payment. "Traditionally, Queensland Health would have adjusted for such an overpayment in the next pay cycle; however, when implementing the new system last year, we agreed not to do this at the request of both staff and unions until a proper process had been agreed to, and this has now happened". Geoff, W. (2011, May 31). The Queensland Cabinet and Ministerial Directory. Queensland https://statements.qld.gov.au/statements/65697

Following this measure, the next course of action for the government was to announce on the 10th of July of 2011 that the Government was suspending its recovery process, putting a hold on it, it had decided on this after talks with union leaders, and that its focus was better utilized on trying to reimburse underpaid staff members first. So new measures were applied to achieve this goal, measures like appointing more support to improve the recognition of payroll staff, and the trial of a new pay cycle arrangement in small cities; new procedures to enforce improvements regularly so that staff members receive their total pay on time, and to ensure no large overpayments occur. Therefore, the hold on recovering debt from overpayments would remain in place until all these measures are implemented.

"This is about giving doctors, nurses, and all other health staff confidence in their payroll system. Unions have agreed to put the package to their memberships for consideration. The problems with Queensland Health's payroll system were not the fault of staff, and this is about finding the best way to ensure that staff have added confidence that their concerns will be

addressed. “In my view, the approach adopted by Queensland Health in seeking to recover overpayments from staff, while it was clear that many employees were still owed entitlements, was unacceptable. “While I acknowledge the approach was adopted with a view to providing certainty to staff as the end of the financial year approached, it was clearly not good enough.” “On my return from my recent trade mission, I directed Queensland Health to work with unions to redesign this process.” Ana, B. (2011, July 10). The Queensland Cabinet and Ministerial Directory. Queensland https://statements.qld.gov.au/statements/66231

On May 22, 2013, the issue of overpayments was still unresolved, so an automated repayment system was implemented to address the problem. The Health Minister Lawrence Springborg said it was a necessity to manage overpayments, so they don´t build up. This system means that if an overpayment has occurred, the recovery of said amount will be made automatically on their next pay, with a reduction of the extra amount made earlier. “A staff member will be notified of a new overpayment on their payslip, and informed that repayments will start being deducted from their pay in 28 days,” he said. “If they have any questions at all about the overpayment, they can contact payroll—but they need to do that within 14 days of the payslip notification.” Lawrence, S. (2013, May 22). The Queensland Cabinet and Ministerial Directory. Queensland https://statements.qld.gov.au/statements/72332

To prevent another situation like the health payroll, the IT minister, Ian Walker, said that an ICT Strategy sets the guidelines to ensure the government delivers the best possible systems for the community. This strategy is to ensure that all high risks and significant investments will and have to be approved by the new Council of Directors Generals, and the department will also have an overview of the project to ensure that certain aspects and critical criteria are met; if not, they will be paused until there is less risk associated with them. This strategy was consulted with over 500 submissions concerning the industry.

In July 2017 during the government of Palaszczuk the overpayments had dropped by a staggering number of 12,000, the overpayments in value had fallen from $69 million to $38 million, to be more exact of the 31 thousand overpayments 21 thousand of them were smaller than $1000, only an 8838 were between $1000 and $5000 and even fewer were over $5000, 1396 to be exact. These overpayments do not include staff members who had repayment plans and debts that were being automatically recovered through payroll deductions.

2. Australia and the PWC Tax Leak Scandal

The second case involves the consulting firm PWC and, once again, the Australian government, in this particular case, the work that the PWC was doing for the Australian government it was advising them on tax laws, however, it led to a conflict of interests, has PWC was advising the government on tax laws it was advising corporation on how to escape them. This happened in 2015 when Peter Collins, former international tax chief, leaked the information.

The leak happened when Collins leaked the information to PWC colleagues, who then used it to pitch to potential clients; the information ranged from government plans to confidential drafts for the OECD on tax avoidance, and ranged from 2014 to 2017. The impacts were the following: the former CEO was forced out of PWC, the business was sold, and a global crisis for PWC. A total of 76 current partners within PWC were identified with a link to the scandal; this information was provided to the government by PWC.

It´s important to note that the information hadn´t been used to help the client avoid tax, says PWC. Later, the previous chief executive of PWC Australia stepped down from his position because he admitted to being one of the recipients of confidential information in the same period; the company put another 9 partners on leave. In the year 2023, PWC had a total of AU$255 million in contracts with the government. In 2024, the Police made searches at the PWC headquarters to find any information linked to the leakage of information.

2.1 Government measures to resolve the situation

The analysis of this case begins by stating that in 2023, the Australian government had $1.4 billion allocated to the big four consulting firms, PwC, Deloitte, EY, and KPMG, representing a 400% increase over the decade. A government member stated that there was a movement to reduce spending on external contractors and the need to rebuild the public service simultaneously.

It says at the end that their usage of external consulting has been unbalanced, and there is a need to balance it. The MP, Hon. Dr. Jim Chalmers, stated in an interview that we have passed legislation to address the Tax Practitioners Board and said that more measures, if needed, will be implemented. He also stated that past wrong behaviours will be taken into consideration when making new contracts. Later in June 2023, another interview was given importance to enhance the services that can be provided within agencies without the need to contract external

help. One government in Australia is in charge of the biggest crackdown on tax advisor misconduct, namely the Albanese Government, so changes in regulation are being created to protect against this action. Additionally, they are cracking down on ensuring that every multinational pays its fair share of taxes to rebuild confidence in the Australian Government. They intend to achieve this by increasing penalties and granting regulators more power to pursue tax fraud.

The government in September 2023 announced that it would be consulting once again, but this time to determine its next steps in pursuing PwC.

So, to strengthen the tax system, the following measures were put in place:

- Increasing the penalties for tax avoidance from $7.8 million to $780 million,
- Expanding tax promoter penalty laws, making it easier to apply to firms and advisers that promote tax avoidance,
- Increasing the time frame available to bring these processes to court from 4 to 6 years

Increase the power of the regulators:

- Removing limitations in tax secrecy laws that were blocking the regulators from acting,
- Enabling Ato and Tax practitioners to refer ethical misconduct by advisers to professional associations for disciplinary action
- Protect whistleblowers when they provide information concerning tax avoidance

Strengthen the tax practitioner Board:

- Giving tax practitioners more time- up to 24 months to complete complex situations
- Improving the transparency in the Tax Practitioners Board so that people have an easier understanding of agents and firms' misconduct

The Albanese government implemented new reforms to fight and mitigate situations like this from ever happening again:

- Reintroducing criminal penalties for unregistered practitioners
- Increasing the penalties associated with this crime
- Introducing infringement notices

The government decided to also consult on new obligations for tax practitioners by expanding the Code of Professional Conduct:

- The obligation to better manage conflicts of interest
- A better job at protecting confidential information
- Informing clients that they are being investigated or are flagged for some wrongdoing
- Having appropriate supervision in place

The budget of 2022-2023 will include $30 million to oversee and dedicate to high-risk practitioners.

The government also approved one other package of measures that would give the Australian Taxation Office and the Board of Tax Practitioners the capability to gather more information so that they could support their investigations against big companies. These measures are to ensure that the authorities have the correct and updated tools to fight this crime.

The Albanese Government decided to implement stricter rules when it comes to becoming a Tax Practitioners Board member. The new requirements focus on education, qualification, and experience, and this applies to new entrants and existing ones. After the implementation of these measures, the government decided to once again apply new requirements:

- The reinforcement of the existing prohibition on false and misleading statements
- The requirement of tax practitioners to disclose to their clients that they were once convicted for tax offences and other significant matters
- Manage conflicts of interest
- Maintain confidentiality
- Ensure the services are provided in the correct way

The government decided that the best way to make sure these measures were followed was by implementing a deadline so that companies had a timeline to follow. For smaller companies with fewer than 100 employees, it was until 1st July 2025, and for companies with more than 100 employees, it was until 1st January, this measure was approved on 1st August 2024. The authority didn´t stop the crackdown on tax avoidance, so the government noticed that the scandal committed by PWC was done through a loophole, so on that note consultation was done on how to close those loopholes, and in doing so, the increase of penalties for those who promote this tax avoidance came into play.

3. Canada IBM Payroll system

The third case involves the government of Canada and IBM, and it has some similarities with the first case; the job presented to IBM was to improve the already existing pay system for public government employees. The job was first awarded to Accenture in 1993 with a total value of $45 million $, however, the contract ended in 1995 with a lawsuit. In 2009, a new initiative to modernize the system began with a value of $300 million $, which would serve the 300,000 employees and 101, an even bigger number than the 85,000 in the Queensland debacle. The project was awarded to IBM in 2011. During the next 4 years, some issues emerged, like delays in key software, privacy breaches, and other issues.

The launch of the system was supposed to be put on hold in 2016 until further tests on the system, but the government in power overlooked the issues and launched the system anyway, which led to 100,000 complaints from employees about their salaries. A later report showed that more than half of the employees were dealing with issues and errors with their pay. In 2018, the government announced an investment of $ 16 million in a new alternative. After this, in 2019, $117 million was invested to design and deliver the pilots for said alternatives. In the meantime, the government renewed the contract of IBM; by 2020, the total cost of the project was $450 million. Of course, after all this money was invested, it came time to make good on the salaries owed, so reports suggest that it was necessary to spend over $700 million. In 2022, the government announced it would pay IBM another $106 million to extend the contract and the services for an extra year. The Parliament Budget Officer, Yves Giroux, said that the total cost of the project could top $2.6 billion.

3.1 Government measures to resolve the situation

The government decided to announce in 2017 that it would hire a dedicated team of 200 members with the mission to fix the system Phoenix and an investment of $142 million over the span of 3 years to fix the system. The Government also decided to allocate $140 million over two years to ensure all federal employees affected by the system are properly paid.

One of the first measures from the government was the compensation for the employees who were affected in some way by the new payroll system. It´s important to mention that the form of compensation was not money, but indeed additional leave days, it was awarded to employees, former employees, and the estates of deceased employees. This form of compensation was awarded to people who had faced financial loss or non-financial loss, general stress, aggravation, and lost time, so employees were credited with 5 extra days of annual leave, and former employees and deceased employees received the payment corresponding to 5 days of additional leave. For employees who suffered extreme losses, a different form of compensation was agreed upon, a monetary one, so employees would only be considered for this form of compensation if the loss was higher than $1,500 every case would be judged individually.

The government then decided to ease the burden of the repayment of the overpayments; in this sense, employees and pensioners can reduce the rate of 10% corresponding to the payment of the overpayments, but only if requested. The creation of a client contact center (CCC) to assist anyone who may still be having issues with pay. It decided to hold the recovery of overpayments for employees who were eligible to reduce their rate of recovery. The creation of MyGCPay, a web application to help employees have a better understanding of their pay issues from the get-go. Better response from CCC, so the escalation of cases where someone may be having financial issues can be made in a faster way, and even help those who may be in distress. The government also decided to increase mental health awareness and equip managers on how to deal with issues of mental health, so that people can be informed of the services and tools available to them.

When it comes to measures for the future, the government decided to continue the progress on pay stabilization, and more funding was directed to solving the issue of backlog pay. These investments represent a value of $203.5 million. The total amount of tax dollars to launch and correct the system Phoenix was $1.381 billion in 2020. A training program on how to use the Phoenix system to minimize new errors from appearing. In 2019, the government

decided to commit $117 million to design the Next Generation human resources and pay system, therefore ditching the system, Phoenix. The SAP company was the one selected by the Canadian government to work on this new project.

The next phase saw a pilot department assigned to this new system that would be created over a period of 6 months. In July of 2021, after a successful pilot, the new system saw new departments added. The two new departments were organizations with a complex schedule and pay needs, being called “the most challenging pay groups in the core public administration” (“NextGen pilot expanded to new departments,” 2021). Testing on this new system will also be done on a parallel system to the actual one, so that none of the changes have a direct impact on the real situation.

Wrongdoings and responsibilities

The tables below will represent the wrong actions by both parties, the consulting and the governance side. Has it been shown by both tables that the side of the government is the one that has the most problems when it comes to actions taken on the situation, just to note that this doesn´t mean the government has done more harm it just means that it much easier to take note of the actions done by the government rather than the consulting companies just because much of the information for the wrongdoing is not available online and if it is it maybe more of an opinion rather than a fact.

Problem/wrongdoing Consulting	**Case in which it happens**
Allowing for leaks of information	Tax leaks PWC and Australia
Not performing "contracted performance criteria"	Queensland and IBM Payroll
Not understating the complexity of the job at hand and making empty promises.	Queensland and IBM Payroll
Not understating the complexity of the job at hand and making empty promises.	IBM and the Government of Canada
A cut-over period to the new system created a backlog of payroll. It took 8 months to process the backlog to return to business as usual.	Queensland and IBM Payroll
Failing to implement a segregation of Duties so there is a smaller chance of conflict of interest.	Tax leaks PWC and Australia
Deciding to keep on working on the project even though no significant improvements were being made into 2024	IBM and the Government of Canada

Figure 3-Problems associated with the Consulting- Source: Diogo Alves

Government's wrong measure	Case in which it happens
Not doing a previous investigation on past jobs	IBM and the Government of Canada
Deciding to roll out the new program, knowing it was defective	IBM and the Government of Canada
Pouring more money into the program, knowing it would cost much more to repair the issue than just start one from scratch	IBM and the Government of Canada
Deciding to roll out the new program, knowing it was defective	Queensland and IBM Payroll
Deciding to make improvements to the software instead of making a new one	Queensland and IBM Payroll
Awarding the contract to IBM should´ve never happened	Queensland and IBM Payroll
Trying to recover the funds from IBM, which led to a big payment to IBM after a failed attempt to recover money	Queensland and IBM Payroll
Over-reliance on third-party companies to work on public matters	Tax leaks PWC and Australia
Failing to hear other opinions that wanted more testing on the system, which led to the system being implemented without proper testing	IBM and the Government of Canada
Not making its research on other works from IBM, similar to the one they had	IBM and the Government of Canada
Deciding to pour more money into fixing the Phoenix system after deciding they would create a new one	IBM and the Government of Canada
Not hearing opinions from other figures and unions on measures the government should apply.	IBM and the Government of Canada
Decided to implement the system for political reasons	IBM and the Government of Canada

Figure 4-Problems associated with the Government- Source: Diogo Alves

Conclusion & recommendations

In this Thesis, it´s possible to draw some conclusions, the first being that although consulting is the one that provided a bad project, the entire fault is not on them; sometimes, the government in question may push for the release of something that is not finished, just because they might be facing political pressure, however is easy to understand that the consulting firms have some say, they also couldn´t adhere to certain request criteria in regards to the project, sometimes weren´t able to grasp the complexity of the job at hand, causing it to wrongly evaluate the amount of time and money it will cost to deliver a fully working system.

It´s possible to understand that both governments that were analysed in this paper have no crisis management plan, as they had a more reactive than proactive stance on the matter, they were creating the solution when a new problem arose, and they also failed to see some clear signal that the projects were not ready to be operated, either by test that run and showed fails in the system or just by the simple fact that consulting teams were not showing the respective progress in the agreed upon timeline and by the fact that the budget for the project was always increasing substantially. These are simple clues and yet should´ve shown to the government that something was about to go wrong and that the implementation of the system should be delayed, or should´ve been run with some measures already in place to mitigate the problems it created.

We can also understand that the governments have a blind trust in these corporations, because in the case of Canada, they didn´t even realize that the company they were hiring to do the job had already performed a similar job and failed in completing the job at hand; it either didn´t do its research or simply ignored it. In the case of Australia, there was also a clear lack of understanding of the situation.

A government that took control of the situation that was created under a different government tried to get some of the money returned that had previously been paid to IBM, but was not aware of a contract that would exempt IBM from any harm created by the project, so this shows that even the own government was not aware of every detail of the business which once again shows a lack of preparation and even a team designated to know every single details about the crises at hand.

The contract also shows a blind trust in the government that accepted the said paper, because they didn´t appear to see the need for the creation of a similar paper, saying that IBM should be held responsible for any wrong action on the project or even the simple fact that they

decided to accept the paper without seeing any harm in it, it either resembles fully trust in the IBM or just lack of awareness in the document at all.

In the PWC Australia case, we can easily understand that it was a case of conflict of interest, and there should´ve been a better protocol in place at PWC to deal with the situation. It also shows again a blind trust in the government towards PWC in not understanding that there is an obvious conflict of interest in this situation.

The recommendations for those who want to delve deeper into this topic are to try to understand the effects of each particular measure that was applied by the government to remediate the situation, to have a better understanding of what measures had a positive impact, and to see those that didn´t cause any solution. It´s hard to make such an understanding, which is one of the limitations of this topic; it´s really hard to see the effect of said measures, just because how anyone can understand it will always be relative to the opinion of each person.

Would also recommend trying to contact any politician or any person involved in the consulting side, it´s probably hard also to contact any of these persons, but it´s necessary to have a better understanding of the whole situation from both sides, this can also be a limitation, because it´s really hard to get a response from the side of the consulting team, and although the government side is easier to get a response they also may not want to divulge many information because maybe they can´t.

Another recommendation is to have more transparency from now on, from the consulting side to the contractor side, just so that it´s possible to better predict any bad situation that may arise, and even just for the contractor side to shut down the project if they see fit.

Would recommend that many more people should start to investigate much more about the need and creation of a department of crisis management inside the government just because in this thesis it is possible to understand that none of the governments had such a department, it just designated the corresponding minister to the environment that was impacted that and the hiring of consultants to see what was the better plan of action, there is a huge need in governments to have departments of crises management many of the big corporations already have and they have it because they understand that there are too many moving parts and there is a high risk at any time some part may just start a huge crises. So, one of the most important recommendations in this thesis is the importance of the presence of a department of crisis management inside the government, and it´s super important to start talking and doing more research on this topic. One other recommendation would be to compare just one country's

government to see if the course of action it takes is based on what it has learned from prior situations, or you could even compare multiple countries and try to understand which one had the better outcome.

Some of the limitations of this study were already mentioned, but there are others, one limitation is the very few cases that were studied, so many of the observations made and found cannot be taken seriously without a proper sample analysis, where we have lots of cases and we can see if there is a link between the consulting side that seems to be relevant and also on the side of the government if any policies seem to have a better effect in dealing with the situation. Another limitation is the information available, seeing that there is little information from the side of the consultant and the way they operated, there is much more information regarding the government than the consultant side, so from this point of view, it´s not possible to make a correct assessment about the full role that the consultants played.

One other limitation is the fact that it's really difficult to measure the impact of the measures by the government, but it becomes even harder because the solutions to these problems tend to span a long time, which means that different governments will take charge and apply different measures, and even remove ones that were in place just due to the political aspect.

To conclude, in this thesis, it is important to note that there is much more to do when it comes to these topics, either on the development of a department of crisis management within the government and what constitutes a good and ready department, or the topic of understanding the influences and actions that consultants perform for the government. This project's main goal is not to come to any conclusion but to start the conversation for both topics, seeing that it aims to fill a gap in this more relevant world of ours, neither crises nor consultants are going to go away so we has a society need to learn how to deal with crises more than ever and to see how can we truly use the good work of consultants in the right and useful way.

Bibliography

Boin, A., & Lagadec, P. (2000). Preparing for the future: Critical challenges in crisis management. Journal of Contingencies and Crisis Management, 8(4), 185–191. https://doi.org/10.1111/1468-5973.00132

Boin, A., 't Hart, P., Stern, E., & Sundelius, B. (2017). The politics of crisis management: Public leadership under pressure (2nd ed.). Cambridge University Press. https://books.google.pt/books?id=_HqJDgAAQBAJ

Coombs, W. T. (2007). Crisis management and communications. Institute for Public Relations. https://d1wqtxts1xzle7.cloudfront.net/56572562/Crisis_Management_and_Communications-libre.pdf

Deverell, E. (2012). Investigating the roots of crisis management studies and outlining future trajectories for the field. *Journal of Homeland Security and Emergency Management, 9*(1). https://www.jhsem.org

Dolfing, H. (2019, April 2). Case study: SAP, Wipro, and National Grid. *Henrico Dolfing*. https://www.henricodolfing.com/2019/04/case-study-sap-wipro-national-grid.html

Dolfing, H. (2019, December 18). Project failure case study: Queensland Health Payroll System. *Henrico Dolfing*. https://www.henricodolfing.com/2019/12/project-failure-case-study-queensland-health.html

Dolfing, H. (2020, October 12). Case study: Texas T2 Accenture. *Henrico Dolfing*. https://www.henricodolfing.com/2020/10/case-study-texas-t2-accenture.html

Government of Canada, Department of National Defence. (2023, July). *Phoenix training* (*The Maple Leaf*). https://www.canada.ca/en/department-national-defence/maple-leaf/defence/2023/07/phoenix-training.html

Government of Canada, Public Services and Procurement Canada. (2020). *Phoenix IBM systems upgrades*. https://www.canada.ca/en/public-services-procurement/corporate/transparency/question-period-notes/phoenix-ibm-systems-upgrades.html

Government of Canada, Public Services and Procurement Canada. (2020, July 8). *Update on Phoenix stabilization planning and investments in employee support* [Briefing material]. https://www.canada.ca/en/public-services-procurement/corporate/transparency/briefing-materials/committee-of-the-whole/2020-07-08/update-phoenix-stabilization-planning-investments-employee-support.html

Government of Canada, Public Services and Procurement Canada. (2022, May 19). *Phoenix pay system* [Briefing material]. https://www.canada.ca/en/public-services-procurement/corporate/transparency/briefing-materials/committee-of-the-whole/2022-05-19/phoenix-pay-system.html

Government of Canada, Treasury Board of Canada Secretariat. (2023). *Compensation for federal employees impacted by the Phoenix pay system*. https://www.canada.ca/en/treasury-board-secretariat/topics/pay/phoenix-pay-system/compensation-federal-employees-impacted-phoenix-pay-system.html

Gundel, S. (2005). Investigating the roots of crisis management studies and outlining future trajectories for the field. *Journal of Contingencies and Crisis Management, 13*(2), 61–71. https://doi.org/10.1111/j.1468-5973.2005.00456.x

Hearit, K. M. (2006). *Crisis management by apology: Corporate response to allegations of wrongdoing*. Lawrence Erlbaum Associates. https://www.taylorfrancis.com/books/mono/10.4324/9781410615596/crisis-management-apology-keith-michael-hearit

Jáčová, H., & Valentová, L. (2019). Risk management and crisis management in business practice. *Acta Oeconomica Pragensia, 27*(3), 43–59. https://doi.org/10.18267/j.aop.619

Johnson Shoyama Graduate School of Public Policy. (n.d.). Case study 2: Phoenix pay system. *Canadian Public Policy Case Studies*. https://www.saskoer.ca/jsgspublicpolicycasestudies/chapter/case-study-2-phoenix-pay-system/

Lagadec, P. (2009). A new cosmology of risks and crises: Time for a radical shift in paradigm and practice. *Review of Policy Research, 26*(4), 473–486. https://hal.science/hal-00338386/document

Marciano, R. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. *Wiley Periodicals LLC*. https://onlinelibrary.wiley.com

PM360 Consulting. (n.d.). *Project failure case studies*. https://pm360consulting.ie/project-failure-case-studies/

Professional Institute of the Public Service of Canada (PIPSC). (2019, June 12). *Phoenix damages agreement with Treasury Board finalized*. https://pipsc.ca/news-issues/phoenix-pay-system/phoenix-damages-agreement-treasury-board-finalized

Professional Institute of the Public Service of Canada (PIPSC). (2020, March 3). *Important victory for our members: Government commits*. https://pipsc.ca/about/office-of-the-president/messages-to-members/important-victory-our-members-government-commits

Professional Institute of the Public Service of Canada (PIPSC). (2020, June 12). *NextGen vendor announced: Treasury Board press release*. https://pipsc.ca/news-issues/phoenix-pay-system/nextgen-vendor-announced-treasury-board-press-release

Professional Institute of the Public Service of Canada (PIPSC). (2020, October 21). *NextGen HR and pay moves forward with first pilot department*. https://pipsc.ca/news-issues/phoenix-pay-system/nextgen-hr-and-pay-moves-forward-first-pilot-department

Professional Institute of the Public Service of Canada (PIPSC). (2021, February 17). *New MyGCPay stub now accessible*. https://pipsc.ca/news-issues/phoenix-pay-system/new-mygcpaystub-now-accessible

Professional Institute of the Public Service of Canada (PIPSC). (2021, May 12). *NextGen pilot expanded to new departments*. https://pipsc.ca/news-issues/phoenix-pay-system/nextgen-pilot-expanded-to-new-departments

Professional Institute of the Public Service of Canada (PIPSC). (2021, August 25). *Fixing Phoenix means fixing outsourcing*. https://pipsc.ca/news-issues/phoenix-pay-system/fixing-phoenix-means-fixing-outsourcing

Professional Institute of the Public Service of Canada (PIPSC). (2022, February 7). *Process to replace Phoenix begins*. https://pipsc.ca/news-issues/phoenix-pay-system/process-to-replace-phoenix-begins

Professional Institute of the Public Service of Canada (PIPSC). (2022, April 19). *Salary overpayments caused by Phoenix: Government must act*. https://pipsc.ca/about/office-of-the-president/messages-to-members/salary-overpayments-caused-by-phoenix-government

Professional Institute of the Public Service of Canada (PIPSC). (2022, May 30). *Government of Canada qualifies 3 vendors to advance Next Generation HR and pay system*. https://pipsc.ca/news-issues/phoenix-pay-system/government-canada-qualifies-3-vendors-to-advance-next-generation

Professional Institute of the Public Service of Canada (PIPSC). (2022, October 18). *New hope in finding Phoenix replacement faster*. https://pipsc.ca/news-issues/announcements/new-hope-finding-phoenix-replacement-faster

Professional Institute of the Public Service of Canada (PIPSC). (2023, August 15). *The dog days of summer and Phoenix*. https://pipsc.ca/news-issues/phoenix-pay-system/dog-days-summer-and-phoenix

Queensland Government. (2010, December 16). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/60981

Queensland Government. (2011, February 15). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/61211
Queensland Government. (2011, March 24). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/61806
Queensland Government. (2011, April 6). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/61977
Queensland Government. (2011, April 14). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/62004
Queensland Government. (2011, May 12). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/62235
Queensland Government. (2011, September 6). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/63017
Queensland Government. (2012, February 14). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/63717
Queensland Government. (2012, February 15). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/63764
Queensland Government. (2012, May 29). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/64757
Queensland Government. (2013, February 14). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/65697
Queensland Government. (2013, June 6). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/66231
Queensland Government. (2016, March 17). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/72332
Queensland Government. (2016, April 19). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/72715
Queensland Government. (2016, May 24). *Ministerial statement: Queensland Health payroll system* [Press release]. https://statements.qld.gov.au/statements/72961
Reut, M. (2022). Beyond consultocracy and servants of power: Explaining the role of consultants in policy formulation. *Wiley Periodicals LLC*. https://onlinelibrary.wiley.com
't Hart, P. (2014). Crisis decision making. In A. Farazmand (Ed.), *Handbook of crisis and emergency management* (2nd ed., pp. 21–40). Routledge. https://www.researchgate.net/publication/249625129_Crisis_Decision_Making
Rosenthal, U., & Kouzmin, A. (1997). Crisis and crisis management: Toward comprehensive government decision making. *Journal of Public Administration Research and Theory, 7*(2), 277–304. https://www.theisrm.org/documents/Rosenthal%20&%20Kouzmin%20(1997)%20Crisis%20and%20Crisis%20Management-%20Towards%20Comprehensive%20Government%20Decision%20Making.pdf
Savić, M., & Savić, G. (2016). Strategic management and crisis management: Relationship and integration. In *Proceedings of the XV International Symposium SYMORG 2016* (pp. 163–169). Faculty of Organizational Sciences, University of Belgrade. https://symorg.fon.bg.ac.rs/proceedings/2016/papers/STRATEGIC%20MANAGEMENT.pdf