
CHAPTER

1

**The Role and Importance
of Internal and External
Consulting**

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The beginning point of the journey described in this book is to reflect on the role and importance of consulting, from both the internal and external perspectives. At the same time, it is helpful to review the practices, changing expectations, and new requirements for these important areas. Finally, a snapshot into emerging trends and key success factors make this chapter a fitting introduction to this new book.

Trends in Internal and External Consulting

Both internal and external consulting have grown recently, and their importance continues to emerge. There is a natural evolution that makes consulting a logical solution for many situations. Also, there are a number of forces that have come together to make consulting a great choice for organizations and also as an occupation. While the drivers for growth in internal and external consulting have much overlap, some unique issues are emerging.

Emergence of Internal Consulting

The rapid rate of change coupled with heightened competition on a global basis is increasing the need for companies and public sector organizations to develop effective internal consulting capabilities. The development of this capability helps to better control overall consulting expenditures and obtain greater value for this investment. Internal consulting groups can support the development of key capabilities across the organization

essential for future success in areas, such as strategic planning, project management, change leadership, and process improvement.

There are various areas across the organization that are realizing the importance of increasing their internal consulting skills to effectively provide services to their internal clients and developing more of a “business partner” role:

- One overall observation is that there is a new business model evolving regarding the emergence of more formalized and structured internal consulting service and their relationship with the external consulting resources with which the organization engages.
- The need to unlock the value potential of the total cadre of advisory resources spread across the organization is another key driver in the development of more formalized internal consulting capabilities. For example, most functions in an organization have a few internal consultants.
- Organizations are attempting to reduce staffing levels to keep their total employee count very low. This is driven by the desire to be efficient, and the employees on the payroll represent a fixed cost that can be very significant. Reduced staffing leads to opportunities for internal consultants to provide specialized assistance.
- Organizations and the work accomplished within are becoming more complex. This means that managers

need help with a variety of work-related issues and processes.

- The continuing growth of globalization and fast pace of change requires specialized assistance with rules, regulations, culture, and change issues, creating opportunities for internal consultants.
- Outsourcing and shifting of transactional activities have created more opportunities for internal consultants. For example, in the human resources function, many of the activities are transactional (e.g., benefits administration, payroll administration) and they have been shifted to other functions such as finance and accounting. Other functions have been outsourced (e.g., help desks, training delivery). This leaves the HR function with a few generalists, often labeled HR advisors or consultants.

It is clear that internal consulting is not only a critical occupation in an organization, but one that is growing and adding tremendous value. From all indications, internal consulting will continue to grow and flourish and add value in all types of organizations.

The Growth of External Consulting

Consulting clearly is a growing occupation, at least among small consulting businesses. The following trends underscore its tremendous growth:

- In the United States, baby boomers are moving into their early retirement years. Many of them are

seeking new challenges away from the bureaucratic structure of traditional organizations. Wanting to use their expertise and experience in a profitable way, they see consulting as a rewarding and natural next career.

- Shareholders of organizations increasingly demand more efficiency, profitability, and growth from organizations. This trend requires management to examine processes and work flow to ensure that organizations are the best that they can be. This, in turn, creates opportunities for external consultants who can assist in this important goal.
- Demanding customers are changing the dynamics of customer service. Organizations are constantly under pressure to provide the fastest, most reliable, and friendliest customer service. Consultants provide assistance in this vital area.
- Executives often require external validation of particular processes, products, performance areas, and outputs. External validation leads to the need for external consultants.
- Globally, there are many opportunities for consultancies as emerging nations eagerly seek to become more modern, up-to-date, and efficient in their processes.
- Demographic shifts in all countries are creating changes in market demands, creating opportunities for those who understand these issues and can help organizations meet these particular needs.

- The constant flow of fads in and out of organizations creates opportunities for consultants to help organizations address these trends and attempt to make them work in their organization. Some executives constantly seek the newest methods and employ consultants to help implement them.
- Executives sometimes prefer to use outsiders rather than rely on the input and advice of their own staff. They feel that the independence of the external viewpoint is important.
- In an attempt to become streamlined and efficient, some organizations outsource major parts of their work, creating opportunities for consultants. Often, these consultants come from the ranks of their previous employees.
- Executives and managers often have unpleasant tasks, processes, and issues to address. They prefer to use external consultants who are viewed as dispensable and can be quickly removed after the dirty work has been done.
- Finally, organizations, desperate to survive, seek all types of assistance and support to improve their situations. This creates many opportunities for consultants.

These trends and others create growth for the consulting industry. Depending on which estimates are used, the figures range from a growth of 15 to 25 percent per year for this profession. At the same time, the actual growth of large consulting practices is not as strong.

Opportunities for Collaboration

A key consideration for external consultants to develop their business in the long term is to explore ways to effectively partner with internal consulting groups and other internal support areas growing into that role. An increasing number of external consultants, from large organizations to sole proprietorships, are realizing significant opportunities to expand their business by working with internal consulting groups and other internals in that role. These partnering opportunities consist of various arrangements, including the following:

- Training on key skills and emerging methodologies
- Supplementing their expertise and research capabilities
- Providing additional resources for joint project activity
- Taking on projects for which the internals don't have the capacity or expertise

The important issue is that internal and external consultants are vital to an organization. Both groups are growing, and they must collaborate, as they can learn from each other.

Key Benefits of Building an Internal Consulting Practice

There are numerous benefits to the organization for developing internal consulting groups. Internal consultants perform a key role in identifying, prioritizing, and

aligning strategic initiatives by participating in client planning sessions across the organization and helping to identify projects that will have maximum impact on overall performance going forward.

Internal consultants play a major role in facilitating proper implementation and continuous improvement by working with client teams throughout the project, helping to transfer ownership, and transferring needed skills for ongoing execution. Additionally, internals play an important role in building overall organizational capabilities by training and coaching clients participating in key initiatives and maintaining associated networks of expertise.

Effectively managing total consulting spend involves both controlling the overall cost of these services and helping to ensure the maximum benefit for that investment. This includes ensuring the necessary transfer of technology and methodologies to properly train the organization going forward.

Changing Role of Internal Support Functions

Internal support functions in a variety of areas of the organization are increasingly realizing the need to enhance their consulting skills in order to ensure their long-term viability and better service their clients. In a number of these areas, a new organizational structure is evolving to help improve the focus on the need to work more closely with clients and better understand their requirements. In this new structure, one area of the group is often organized to perform the basic operations of the function, sometimes referred to as functional Centers

of Excellence (CoEs), while the other area is organized around the major business areas being served as liaison groups to gear services to their needs and act in an advisory type of role. For example, in a human resources department, this would mean that one subgroup in this functional area would be devoted to each of their key operational services, such as benefits, compensation, and staffing, while the other would be aligned with key client groups to work jointly with them in areas such as human capital planning, meeting their specific current and future HR support needs, and addressing issues that might arise in a liaison-type role.

Another example of the many support areas that are in a similar position is information technology (IT). Here, in addition to a number of subgroups providing operational systems development and data processing services, there is an increasing emphasis on developing client interface groups, focusing on providing consulting services to various areas of the organization to help their needs in the areas of technology planning, business case development, process redesign, and project portfolio management. These client interface groups require the same internal consulting skills, as the core internal consulting group. In addition, in many cases, members of the internal consulting group partner with their IT representatives to conduct needs analysis, redesign work processes before new systems requirements are developed, and form/facilitate associated work teams. A best practice approach in this situation is for the internal consulting professional from the core group to

mentor their IT counterpart(s) in these areas and have them assume increasing responsibility for the work and deliverables as they gain experience.

Key Practice Areas and Projects

Many consulting groups have found that the development of a broad portfolio of service offerings helps to improve their overall effectiveness by enabling them to become involved in more key projects/initiatives across the organization and play a larger role in these projects. In addition, consultants are increasingly becoming involved in providing external research and benchmarking services to keep with industry trends and increase their knowledge of best practice approaches on a cross-industry basis. This capability helps them to be more proactive in identifying emerging issues and improvement opportunities. The development of a formalized best practice benchmarking project and associated knowledge base helps the internal consultants drive a greater external focus across the organization.

Internal consulting groups generally provide the same portfolio of services as those provided by external consulting practices. The six broad areas of practice are common:

1. Strategic/business planning
2. Process and operational improvement
3. Change management

4. Organization effectiveness
5. Compliance and risk management
6. Performance measurement and management

Strategic/Business Planning

The strategic/business planning area involves working with leadership in various areas of the organization to help develop and implement their strategic plans and major initiatives. This often includes utilizing methodologies such as the following:

- Visioning workshops
- Business model reframing
- Strength, weakness, opportunity, and threat (SWOT) analysis
- Brainstorming (including critical thinking and creativity exercises)

There has also been a renewed emphasis on team-based planning initiatives where internal and external consultants can add great value in helping to structure and facilitate the project to more fully engage the organization and create a broader buy-in to future plans.

Process and Operational Improvement

The process and operational improvement area involves working with various segments of the organization to redesign and streamline both core and support processes; eliminate waste, delay, and redundancy; and improve the

effectiveness of product and service delivery. This often includes such methodologies as the following:

- Business process improvement
- Responsibility charting
- Network reengineering (including external vendor and partner linkages)
- Lean Six Sigma analyses
- Project management practices
- Activity-based costing

In this area, the internal consultants can add considerable value in addition to their expertise by engaging client groups in opportunity analysis and transferring key skills to help ensure more effective implementation.

Change Management

The change management area involves developing and facilitating projects to modify the organizational structure and associated management processes as external conditions and internal priorities change—in addition to increasing the capability of the organization to effectively deal with these changes. This often includes methodologies such as the following:

- Organization change
- Overcoming resistance and building resilience
- Implementation management
- Innovation management
- Culture change

By developing these change management capabilities in the client groups with which they relate, consultants are helping the overall organization function more effectively.

Organizational Effectiveness

Many organizations have an organizational effectiveness function designed to make the organization more efficient and effective, usually from a total organizational viewpoint. The organizational effectiveness group could be located in operations, engineering, IT, or human resources. Sometimes there is a business redesign process attempting to redesign processes to meet shifting customer patterns, technological advances, and evolving regulatory environments, for example. Sometimes even the term *organizational architecture* is used as these consultants design new divisions, departments, or entire companies from the ground up, considering all of the different elements to make a very successful and profitable business. This may also involve the analytics groups that have been created recently with particular emphasis in marketing, logistics, operations, and IT. Recently, this has moved to the human capital area as well. This includes the projects aimed at reinvention for organization or improvement; reinventing so that it can change, adjust, adapt, grow, and become more efficient and effective. Finally, transformational projects that aim at transforming an organization may be housed in this group. This has become an important component where some internal consultants operate and external consultants are engaged.

Compliance and Risk Management

Being out of compliance and having too much risk exposure can be disastrous for an organization. With this in mind, organizations constantly focus on projects and activities aimed at keeping the organization in compliance to ensure that preventive measures are in place so that out-of-compliance situations do not evolve. Also, this involves interpretation of regulations to ensure that the organization can comply with regulations. Consultants provide input to adjust, adopt, and adapt regulations to the organization, perhaps even serve as a force in changing regulations in the future.

This may include risk management, that is, clearly understanding the risks involved and taking steps to mitigate those risks or protect against them. This issue is particularly critical for high-risk organizations, because unexpected events or catastrophes can have a disastrous effect on operations. Some projects would involve scenario planning, in which the organization examines different scenarios to adjust to future changes of regulations, environment, political landscape, and other factors where risks are involved. From an operations perspective, this sometimes involves business interruption processes and contingency planning for disasters of all types. This is a very active, growing area for consulting and consultants.

Performance Measurement and Management

This growing area of internal consulting, particularly in the municipal sector, involves developing and administering the performance measurement system across

the organization, in addition to identifying projects to improve overall performance. This includes coordinating the overall performance measurement system, working with executives to identify areas for improvement, and helping lead initiatives to realize better results. Comprehensive performance measurement systems often include the following key components:

- A corporate-level performance scorecard, linked to the overall business model containing key metrics in the financial, operations, customer, and employee areas
- A cascade of operational level dashboards from the business unit down to the individual contributors
- Specification of key performance levels or targets that are aligned vertically, in addition to local operations measurements

Unfortunately, the performance management system in most organizations is not working. It is either disliked by managers or employees, or both, and its connection to the performance of the organization is weak.

Other Areas

Other areas where the internal consulting function is developing include mergers and acquisitions; human capital planning; operations, facilities, and sustainability planning; technology management; and external affairs. In addition, project management, leadership, and facilitation pervades all of these areas of practice.

Shifting Expectations for the Consulting Role (Both Internally and Externally)

Organizations across both the private and public sectors, and client groups within them are creating higher expectations for the consulting services needed to help improve their performance. Key aspects of this trend involve the following:

- Creating a more results-based orientation
- Delivering more value to the client
- Providing increased implementation support
- Creating improved capabilities in the organization for learning and continuous improvement
- Focusing more attention on sustainability

The increased emphasis on a results-based orientation is borne out of frustration about projects in which deliverables too often do not have measurable performance improvement as an outcome. The “activity orientation” often results in improvement recommendations that are not tied to a clear path for realizing benefits. The pressure for results has led to the proliferation of “rapid results” projects that focus on mapping out a series of expected results during the project life cycle.

Tied very closely to the above trend is the need to deliver more value to the client. This means that the measures of success have changed to include a variety of measures both qualitative and quantitative, and sometimes the financial ROI. More important, the set

of data collected profiles success during the consulting project and allows for adjustments along the way. This is a way for project value to be maximized and goes beyond merely focusing on results, instead providing a dynamic way to *enhance* results.

The need for increased implementation support comes from client experiences of numerous implementation issues and poor acceptance because of a lack of careful planning and coordination of this phase of important projects and programs. Internal consultants are in a unique position to help ensure effective implementation of projects by working closely with their clients to develop effective implementation plans and help onboard and train those who are involved with execution on an ongoing basis.

There is also an increasing realization of the importance of creating improved capabilities for learning and continuous improvement throughout the organization. This involves including a program to transfer key skills to project team members and to process owners who will be responsible for continuing management of the operation going forward. Internal consultants are in a unique position to help ensure effective implementation of projects by working closely with their clients to develop proper implementation plans and help onboard and train those involved with execution on an ongoing basis. Internal consulting groups are strongly positioned to meet these shifting expectations, both utilizing their own resources and partnering with externals to provide additional capabilities.

Finally, an important trend is the focus on sustainability. When a process is improved, initiated, or completed by consultants the issue is, “Can it be sustained?” “Will it still be viable in the years to come?” Consultants are required and expected to make sure that their improvements can be sustained. This eliminates the narcotic effect, in which the consultant is called back again and again to keep the projects going. Instead, sustainability ensures a lasting value, or at least a longer-lasting value, for the consulting project. Also, the focus on sustainability of all types of processes, systems, and technologies can create a need for consultants to teach how to sustain processes and keep methods evolving for long periods of time.

Key Success Factors

For consultants working within major private and public sector organizations, the following areas are among their most important success factors.

Adequate Planning—Early and Often

The obvious starting point for the first success factor is adequate planning in the beginning with routine adjustments along the way. This means that a compelling business plan is the beginning of the planning process. Planning is so important that it is covered in more detail in Chapter 2. In addition, there are often annual

plans made and all the planning processes are subject to constant change, review, and revision. An ill-planned consulting project is doomed for failure. Proper planning helps to make your consulting project succeed.

Developing Client Partnerships

A second success factor, building strong client partnerships and credibility, is viewed as being critical in obtaining the needed level of sponsorship to help sustain their practice areas and develop new business opportunities. This includes the ability to work with clients and other stakeholders during their planning process to identify opportunities for improvement. The cultivation of interpersonal skills in the consulting group is an important aspect of building these relationships including team building, overcoming resistance, coaching, and communications planning and management.

Delivering Value

A third success factor is the ability to make a positive impact and continually demonstrate value. This involves developing a strong performance measurement system and tracking return on investment and other benefit measures on both individual projects and the overall internal consulting group investment. It also involves helping to realize successful implementation of the various initiatives in which they are involved.

An additional aspect of maximizing the impact of internal consulting is to focus on transferring key skills throughout the organization. This includes both practice area skills, such as process improvement and lean management, and core skills, such as change leadership and project management. One highly useful technique is to build networks of expertise across the organization to help with project implementation and continuous improvement and to help identify new opportunities.

Address the Financial Issues

A fourth success factor is to focus on the financial aspect of consulting. No topic is more important than the finances of a consulting practice, internal or external. Most consultants typically do not have financial and accounting expertise. If this is the case, it will be necessary to arrange for that expertise. Financial issues are vital and must be addressed often and thoroughly to ensure that the business or practice remains fiscally sound. The initial funding or budget often is the first step in developing the practice. The need for an adequate budget to keep the business going should be part of the original plan, and having the appropriate budgeting process to take the organization through its early startup is critical. Appropriate, fair, and equitable fees or transfer pricing must be established for externals and internals with a charge-back policy, and financial reporting must be in place, so the operational results will be known.

Later, several issues may surface, such as managing the spend, which will be explored later.

Manage the Consulting Practice Effectively

A fifth success factor is to manage the business effectively. For some consultants, the most unpleasant and distasteful aspect of consulting is managing the business itself. Because most consultants are not good managers, one classic reason for failure is that they neglect this important issue. Even a one-person practice involves some management issues.

As the practice grows, you may need to employ a business manager, operations manager, or administrative manager. One of the key issues here is not only finding the appropriate person but also being willing to let go of operational control of the organization. An effective business manager can maintain the operations, implement appropriate controls, and build the team. The support staff needs direction and someone available to make day-to-day decisions. A business manager may be the answer for most consulting practices.

Develop a Unique Approach

A sixth success factor is having a unique approach. Every consultant uses a process that clearly defines the practice—usually an expertise developed over several years. The process may include accepted principles with defined and articulated techniques, models, and methods.

That process usually determines the niche opportunity and enhances the uniqueness of the practice.

The consulting practice may be connected to an existing, well-known model or methodology, such as Business Process Improvement or Lean Six Sigma. In this case, the consulting process must be standardized with procedures and practices that are documented and spelled out, ensuring that the expressed method is available, adhered to, and consistent from one project to another. As other consultants use that process, the same standards and procedures must apply. The documentation of the process may include an underlying philosophy as well.

Create Effective Proposals or Consulting Contracts and Reports

A seventh success factor is to create effective proposals. A well-written proposal can make the difference between attracting and losing a new client, either internally or externally. Some consultants prefer to document as little as possible in a proposal, attempting to describe the project in conversations and to bind the consultation commitment with a handshake. This informal approach inevitably creates problems later. Written proposals avert misunderstandings and miscommunications. More important, a well-crafted document represents an opportunity to showcase the organization and sell the consulting practice.

A winning proposal begins with clearly defined objectives. The main points in a proposal can vary

considerably but should include the following eight elements:

1. **Background and situation.** This is a detailed understanding of the problem and the current situation. It is presented so that the client and consultant agree on the current situation and the statement of the problem that will be addressed.
2. **Objectives of the project.** These objectives define what will be accomplished and the ultimate outcome of the project.
3. **Assumptions.** Various assumptions important to the project are developed and listed.
4. **Methodology.** The consulting process is outlined and includes steps, techniques, models, and approaches that are clearly established. This is the heart of the consulting practice and provides the beat by which the consulting project will move forward.
5. **Deliverables.** Include a list of exactly what will be delivered at the end of the project.
6. **Specific steps.** In addition to the methodology, the specific steps that will be needed as the deliverables are developed and presented are detailed.
7. **Project costs** (for externals and internals with a charge-back policy). A detailed listing of costs is presented. Sometimes there is concern about detailing too many costs; however, it's better to show the client the detailed costs in advance than to have added costs at the end of the project. This approach

builds credibility and respect for the consultant and the practice.

8. **Satisfaction guarantee.** A statement of a guarantee is essential.

When accepted, the proposal provides a reference point throughout the project, spelling out exactly what is to be delivered, when, how, and at what cost. It should be reviewed often—and not allowed to collect dust until the end of the project.

Operate in an Ethical Way

An eighth success factor is to operate ethically. Operating Ethical standards, defined as the value system of the owner/consultant, typically are developed as the consulting practice is structured. These standards often are a reflection of personal convictions and define how the consultant will operate in given situations.

Ethical issues surface in many ways. In the external sphere, the consultant may be asked to deliver results completely different from those that were planned. In the internal sphere, the client may require that the work be completed on an unrealistic, perhaps impossible schedule. In either situation, the relationship with a client may be difficult and demanding. There could be organizational issues where the culture and dysfunctional practice of the organization interfere with the completion of the project.

Whatever the ethical issues, when they arise they must be addressed quickly. Ethical issues materialize from

the perspective of both the consultant and the client. The consultant must establish appropriate ethical standards and communicate them clearly so that the consultant her- or himself does not become the ethical issue.

Measure Success and Communicate Routinely

The ninth success skill is to measure and communicate. The success of individual consulting projects is directly linked to the overall success of the organization. But, of course, success is measured in different ways.

For external consultants, positive financial results are usually the first definition of success: profits or the reduction of losses extending over an initial time period. It may also include other financial goals, such as the profit per assignment, office expense, revenue per consultant, and so forth. Without financial success, at least in the long term, the consulting practice will not survive.

But in reality, client success must come before the consultant's success. After all, if clients are dissatisfied, the consulting practice probably will fail ultimately. Not only will there not be repeat business with that client, but there likely will be a loss of engagements with other clients as well. Routine client satisfaction data must be collected to keep tabs on this critical dynamic.

And then there is the personal success one experiences in delivering consulting services. Consulting is a rewarding process when it operates correctly—when the consultant provides counsel that assists the client in measurable ways. Personal success is a powerful motivator in

maintaining the discipline and determination necessary to make the practice work.

When measuring the success of a given consulting project, seven types of outcome measures are necessary: satisfaction, learning, implementation, impact, costs, return on investment (ROI), and intangibles. This approach reflects a balanced set of measures by which data are collected in different categories and at different timeframes, often from different individuals. It is very credible, as the process always includes some method to isolate the effects of the consulting. Because of its importance, several chapters further on in the book are devoted to this topic.

Communication is an important issue. Routine communication throughout the project is critical. Reporting results through a variety of changes is necessary to reach the stakeholders. Subsequent chapters address these measurement and communication issues.

Improve Your Skills

The tenth success factor is improving skills. Consulting requires a specific set of skills that may be different from those demanded in other types of work. Although almost everyone performs some consulting duties no matter what his or her profession or job description may be, a full-time consulting effort demands distinct skills. While other skills can be helpful in the consulting task, the following are among the most important skills needed for the successful consulting practitioner.

Communication Skills. Perhaps the most important skills for the full-time consultant are communication skills, both written and oral. Consultants must be able to communicate effectively with potential clients—listening, understanding their needs, articulating the solution, proposing projects, and reporting results.

During the project, the consultant must routinely communicate with the client in an open and honest fashion, and when the project is complete, the consultant will generate a report. Writing skills are crucial. What the consultant documents essentially reflects his or her work and reputation. Oral communication skills are also crucial when the project is completed so that the process and results are understood and the recommendations for action are based on a compelling case.

Feedback Skills. During the consulting project, the consultant must observe, listen, and be aware of the different inputs, positions, balances, and misunderstandings. The consultant must be a careful listener and be able to provide information to the client and other stakeholders to ensure that both groups understand the consultant's observations and analysis. Sometimes feedback is informal and sometimes it's structured, but in any case, it is almost always routine during a project.

Problem Solving and Analytical Skills. At the heart of most consulting projects is the ability to help the client solve a problem, grapple with an issue that seems insurmountable, or explore an area that may be new territory. The consultant must be able to sort through

the issues, uncover potential causes of problems, and allow the interaction between the factors to lead to solutions—solutions that are incremental and practical. Some projects will require significant data analysis using a variety of systems and routines. The consultant must be familiar with these techniques or at least find someone who can provide these services. At a minimum, the consultant must understand the analysis and be able to reach conclusions.

Organizational Skills. Successful consultants must be highly organized. They must work through checklists, to-do lists, and other planning tools. They must adhere to schedules and project management tasks, using a range of templates and tools to keep themselves and the project on track—avoiding sloppiness, procrastination, and tardiness. Otherwise, clients and others will justifiably be upset.

Build Relationships

The eleventh success factor is to build relationships with individuals and teams. Three relationships are important. First, the relationship with the client is crucial for project success. Second, the relationship with key executives must be productive to gain their respect. Third, the relationship with the project team must be respectful and engaging. When working with a group, the consultant must make sure that each person is engaged and that the group functions as a productive team.

Assessment with Success Factors

It may be helpful to have a consulting practice team access their current success status on these ten dimensions of success. Table 1.1 provides a handy place for this self-assessment along three dimensions. A number 1 rating is not successful at the present time. Number 2 is already considered successful now. A number 3 rating is very successful now. In addition to overall assessment, this provides a quick gap analysis indicating which areas might need attention. For example, if a success factor is rated 1, but the team would like to see a score of 3, this is an obvious area for focus and attention.

Table 1.1 Success Factor Assessment

Success Factor	Not Successful 1	Successful Now 2	Very Successful 3
1. Adequate Planning—Early and Often			
2. Developing Client Partnerships			
3. Delivering Value			
4. Address the Financial Issues			
5. Manage the Consulting Practice Effectively			
6. Develop a Unique Approach*			
7. Create Effective Proposals and Reports			
8. Operate in an Ethical Way			
9. Measure Success and Communicate Routinely			
10. Improve Your Skills			
11. Build Relationships			
Totals			

*More important for externals.

The interpretation of the score in a very rough way is presented as follows:

- Less than 15—Needs Improvement Now
- 15–19—A Struggling Practice
- 20–24—A Good Solid Practice
- Over 24—Best Practice

This is presented as a beginning point for a quick assessment. More details regarding opportunities, processes, and assessments are provided at different points in the book.

Increasing the Value of Internal Consulting to the Enterprise

Looking ahead, in order for internal consulting groups to sustain and further expand their impact on the enterprise, they need to continue to explore approaches to increase their value and help the overall enterprise “manage to value.” The following four sections provide a summary of some key approaches to help achieve this goal.

1. Building Centers of Excellence (CoEs) in key practice areas and aligning consulting capabilities across the enterprise

Consulting-related CoEs, also often termed Communities of Practice, provide a vehicle to develop and align expertise related to the service offerings of the internal consulting group across the enterprise.

Some examples of such CoEs include the following:

- Process Improvement and Continuous Improvement
- Lean Six Sigma and Complexity Reduction
- Organization Effectiveness and Development
- Change Management
- Performance Measurement and Management

These networks of common interest and expertise form, as a result of projects which they have conducted with client team members and others involved, and share learnings on an ongoing basis, both from continuing work within the organization and tapping information sources outside the company.

These complementary resources can both be utilized on other projects in their respective business areas and can also provide future staffing for the internal consulting group on rotational assignments. External consultants who work closely with these internals can also participate, thereby adding a valued external perspective.

A related program to effectively leverage internal consulting involves aligning these capabilities across the enterprise. This consists of first identifying all of those groups providing these types of advisory services, whether they are formally designated as internal consultants or simply perform in this type of role. A useful technique to help identify those acting in this role is to look for client interface or liaison activities as part of the charter of various

functional areas. Then, the various approaches and methodologies used by these groups in areas such as change management, process improvement, or project management are compared, and current best practices in each area are identified. This results in the development of a plan to transition over time to a more consistent approach that will be spread across the entire organization.

2. Coordinating external research and analysis, including best practice benchmarking

Some internal consulting groups coordinate the external research for the entire enterprise, while others focus on key areas of intelligence that will assist in further developing their consulting practice. This often includes areas such as industry trends, emerging technologies, positioning of current and future competitors, changing business models, and best practice approaches on a cross-industry basis.

This approach is becoming even more important due to the increasing rate of change and uncertainty in the external environment. It also not only provides a valuable service to the overall organization but also better positions the internal consulting group to identify key initiatives that need to be undertaken.

In addition, a comprehensive benchmarking program, as described in the book *Internal Consulting Excellence*,¹ can help to provide a structured approach to gathering, analyzing, and acting on the intelligence gathered. External consultants can also play a valuable role in the process.

3. Administering a framework for improved alliance integration and strategic partnering arrangements

As internal consulting groups are becoming more involved with strategic initiatives of the enterprise, two areas of involvement will become increasingly more prevalent.

The first involves bringing a more structured and rigorous approach to help effectively align and integrate alliance parties, including mergers and acquisitions and joint ventures arrangements. This includes alliance planning and due diligence, evaluation of intellectual property and other assets (including human capital), and implementation planning and coordination assistance.

Second, with strategic partnering with external suppliers and customers across the value chain, internal consultants can also help to increase the probability of long-term success through participation in the planning and effective integration of key interface processes.

4. Developing a systematic approach to realizing an effective program for innovation across the enterprise

Stimulated by increasingly dramatic shifts in competitive frameworks, consumer positioning, regulatory environment, and technology developments, companies are increasingly focusing on continual innovation as a key factor for sustained viability and growth.

Internal consulting groups can help to bring a systematic approach to realize the maximum impact of corporate innovation initiatives, including skill-building interventions in the areas of creativity and problem solving.

A comprehensive approach to managing innovation developed from leading programs is detailed in the Innovation Management Framework section of the book, *Internal Consulting Excellence*.²

This starts with coordinating the Planning Phase, including the following areas:

- External research
- Key opportunity areas identified in the strategic plan(s)
- Idea mining process through the organization

The Analysis Phase then involves the following:

- Creating opportunity maps
- Conducting a gap analysis
- Prioritizing

Finally, the Execution Phase is undertaken:

- Selecting the portfolio of innovation initiatives to be executed over the next planning period
- Developing and executing the associated project plans
- Monitoring progress and helping to resolve issues

This approach provides the ability to effectively coordinate both the ongoing process of continual

improvement type of innovation from sources, tapping sources across the enterprise with the major innovation imperatives driven by the strategic plan and allocating resources appropriately.

Internal consulting groups play a key role in both helping to structure the overall innovation program to accelerate results on a sustainable basis and to introduce supporting methodologies, including business model level innovation, process-level redesign, and creative thinking and problem solving techniques.

Final Thoughts

This introductory chapter focuses on the important trends in consulting for both internal consulting and external consultants. The good news is that there is a tremendous need for consultants, both internal and external and the two groups often work together quite well. In fact, many internal consultants use external consultants, and sometimes internal consultants replace the work of external consultants. In other cases, the external consultants replace the work of internal consultants. So to a certain extent, they are interchangeable and often work together in a “strategic partnering” role. The important point is that the field is growing, the role of consultant is important, and the applications are varied. In addition, there are many success factors involved in how organizations make the most out of consulting, making the process successful from both an internal and external perspective.