

Outside In: The Benefits of Internal Consulting

Description: Faster, cheaper, permanent solutions. Why a company can benefit from an internal consulting group.

by Raines International

For years companies have relied on external consulting firms to solve their internal problems. While external consultants are experienced and efficient, they sometimes require a long time to understand the nuances of a client and evaluate a situation before they can effectively begin the problem solving process. Once they arrive at a recommendation, they typically produce a nicely bound report full of graphs, charts and figures, but often vague implementation guidelines. Certainly external consultants are valuable when a company needs an “outside” perspective or specialized expertise on a particular project, but in general, companies could benefit greatly from a faster, cheaper, permanent solution to handle internal strategic challenges. What is the solution? An internal consulting group.

Creating an internal consulting group may sound like an expensive proposition, though in the long term its benefits can far outweigh its initial cost. Internal consultants can respond easily to new problems as they arise or spot them before they become significant. They have more knowledge of the company than any external group and therefore take less time to understand the details and challenges surrounding a particular problem. They are also familiar with the “politics” of an organization and other internal nuances that outsiders would be completely unaware of when trying to develop a resolution. And unlike external consultants, internal consultants are personally accountable for their work. Their job does not end with a final presentation. They are involved in the monitoring and implementation of their recommendations.

Perhaps the most compelling aspect of an internal consulting group however is its ability to funnel talent into a company. Talented individuals desire flexibility and the opportunity to rise within an organization. Usually if an individual wants to move up the executive ladder, they must subject themselves to being pigeonholed and locked into a singular track when joining a corporation. If that same person desires flexibility and constant change in a job, then they will often pursue consulting. There really is no position that combines both the flexibility of consulting and the opportunity for advancement in the corporate hierarchy. Talented individuals will be attracted to a company that offers the opportunity to gain broad business experience in a flexible role, while being groomed for an executive position. This is exactly the opportunity that internal consulting provides. Internal consultants obtain a thorough understanding of the entire organization from their continual problem-solving assignments making their work the ideal training and proving ground for future executives within a company. Internal consultants also enjoy the intellectual challenge comparable to a consulting firm, with the added benefit of no extensive travel or other consulting lifestyle sacrifices.

Companies that are looking to create their own internal consulting groups should

understand that to build one successfully requires a significant initial investment. It is necessary to hire an experienced consultant in order to establish the framework for the internal group as well as provide training and structure for subsequent hires. There will need to be a concerted, well-funded recruiting effort to attract talented individuals from the top management-consulting firms. And though these costs are high, they are one time, sunk costs. Once the consulting group is well established, it becomes far more economical than using external consulting firms, and its strong reputation will make attracting top-tier talent easier. From a long term perspective, the internal consulting group's lack of need to generate a profit on individual projects, and faster response time due to familiarity with the company, will result in overall lower costs than if a company hired external consulting firms to handle the same work.

By forming an internal consulting group, a company achieves lower costs, faster development of strategic solutions, and an influx of talent. It also acquires a better understanding of itself. The knowledge accumulated by the internal consultants during their projects provides greater insight into the company's processes, resources, potentials, and limitations. This knowledge is brought into the daily workings of the company by the consultants as they work with other employees in implementing solutions or when they rotate into line management positions. This type of intellectual capital can only be gained through internal consulting. External consultants rarely become involved enough with one company to develop this detailed level of understanding and share it with others in the organization.

Companies should by no means put a complete end to hiring external consultants. They are still necessary for projects that require expertise which internal consultants lack or when a neutral, outside perspective is necessary. In general, however, companies should lessen their dependence on outside expertise and begin to realize the benefits of internal consulting. There is no better way for a company to improve itself than by solving its own problems.