Openside

Internal Consultants:

"Begin as trusted insiders,
grow as respected professionals"

Internal Consulting Research.

Bringing the best of external consultant practice
to the unique world of internal consultants.

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Introduction to Report

This report highlights the differences we found between the worlds of internal and external consultants and the implications these differences have for the future development of internal consultants and the organisations within which they work.

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Reason for this Research

Responding to recent client requests for updated insights, **Openside** conducted further international research into internal consultants to determine if there have been any significant changes in the industry and environment since our last report was published.

Research scope

We researched and compared:

- Internal consultants who are employees of a non-consulting organisation
- External consultants who have worked on internal projects for consulting firms that they are employed by
- Clients of internal consultants.

Our ambition

Based on original field research over two years in Europe, the USA and Canada, our ambition is to be the first professional development group in the world which truly offers an understanding of the unique world of the internal consultant.

Our ultimate objective is to enable organisations to create a new breed of management consultants, bringing the best of external consultant practice to the world of the internal consultant.

Internal and external consultants

This report highlights the differences we found between the worlds of internal and external consultants and the implications these differences have for the future development of internal consultants and the organisations within which they work.

Executive Summary

The report examines the role and development of internal consulting groups. It highlights the fundamental differences between internal and external consultants, stressing the unique benefits and limitations faced by internal consultants. As part of the organisation, internal consulting teams have a deep understanding of the company culture and its operations. This enables them to implement changes effectively and at a lower cost. They are trusted insiders who can navigate internal politics and use organisational knowledge to drive strategic initiatives.

However, they face significant challenges compared to the well-established business development and delivery teams of the external consulting groups.

The report highlights the need for the internal consulting function to create a clearly articulated strategy and identity, which we have called the "Corporate Contract", which exists between the internal consulting function on the one hand, the Company within which it operates and its internal clients on the other hand.

In many ways, the Corporate Contract is similar to the market positioning and strategy of external consulting firms: some are pure strategy houses, others focus on implementation, and others are strong in a particular discipline or industry vertical. The Corporate Contract sets out which services the internal consulting function provides, to which customers, under which competitive conditions, under which authority and under which financial conditions. Much progress has been made in this area since our last report, but there is still room for improvement.

The report explores the fundamental differences between internal and external consulting organisations, highlighting four unique challenges faced by internal consulting groups. These challenges arise from the characteristics of the internal consulting group: its embedding in the parent company's corporate culture; its management by and to corporate expectations; its need to serve both its internal client and its corporate paymaster; and its unique position within the corporate hierarchy.

Each of these characteristics offers both advantages and disadvantages to the internal consulting function. The challenge for the leadership of the internal consulting function is to position the unit to maximise the benefits this offers and mitigate the inherent disadvantages.

The report goes on to explore three themes which were raised repeatedly during our research and which we consider vital to the success of both internal and external consulting groups – the three themes being: Respect, Trust and Value. We explore the relative positioning of the internal and external consulting groups in relation to each of these themes.

We then review the strengths and challenges faced by the two types of consulting organisations using a simple consulting cycle – from managing the client relationship, to selling, delivering, and completing a project. Each type of consulting organisation has significant advantages in some of these stages. The challenge for the internal consulting group is to exploit and maximise their inherent advantages of knowing the culture, processes, and people in their parent organisation, and to put mechanisms in place to strengthen their performance in areas where the external consulting firms may have a natural advantage.

Finally, we examine the human angle. The quality of a consulting firm and the projects it delivers is determined by its people. The external consulting firm usually has a distinct advantage in terms of competitive salaries and benefits, a well-structured development path for its consultants, and a perception of offering better, and better-trained people.

Many internal consulting groups have responded to this by hiring consultants from external firms, increasing the training – both hard and soft – of their teams, improving their internal processes, and strengthening their leadership teams.

In terms of attracting talent, internal consulting firms have a distinct advantage in the area of work-life balance. In our survey, we measured work-life balance on a scale of 1 (poor) and 10 (optimal). Internal consultants averaged 8, while external consultants averaged 5, which presents a significant opportunity for internal consulting groups to attract talent from the external consulting pool.

The internal consulting teams are also looking at structured skills transfer, both through on-the-job training, forming blended internal/external consulting teams, and making it an explicit deliverable when working in joint teams with external consultants.

Ultimately, the biggest differentiator for the internal consulting group is its intimate knowledge of the parent organisation to which it belongs.

1. Background, definitions and report structure

In 1996, Openside conducted pioneering international research into the world of internal consultants, resulting in the first publication of our internal consulting report.

We have updated the report periodically up until 2020. In response to client requests, we reviewed the findings during 2024/2025 and conducted new interviews to identify any significant changes since the publication of the earlier reports.

Much has changed since the publication of our first report. Many internal consulting groups have invested time and effort to change and professionalise their ways of working, their calibre of staff, and management processes to mimic the best of the external consulting firms.

However, as the world evolves, the demands on external and internal consulting groups are also changing. This updated report highlights the key differences we found between the worlds of internal and external consultants and the implications these differences have for the future development of internal consultant functions and the organisations within which they work.

This report explores the key issues and constraints reported by those interviewed, the changes internal consulting groups have put in place over the years, and the challenges they see moving forward.

Our goal is to offer a better understanding of the unique world of the internal consultant function and help organisations develop a new breed of consulting, blending the best of external practices with internal consulting roles and structures.

In our original research, we referred to the perceived strengths and disadvantages of internal consultants compared to their external colleagues in areas such as new technology skills, methods, and knowledge of other organisations in other industry sectors. Many organisations are now tackling complex projects with blended teams – internal consultants with a deep understanding of the company and its working practices, working alongside external consultants who bring fresh thinking, methods, and an outside perspective. We will explore the challenges of managing these diverse groups.

Another area we explore in some detail in this current research is the strategies used by internal consulting organisations to upskill their teams so that they can compete with, and better work alongside, external consultants who typically have more structured consulting skills training and career paths.

1.1 Research scope

As part of the research for this report, we originally interviewed a number of employees from twelve organisations based across Europe, the USA, and Canada over a two-year period. An overview of the sectors and interviewees can be found at the back of this report. For this update, we interviewed many consultants and leaders in internal and external consulting firms. We also spoke to users and buyers of both types of consulting services.

People we interviewed include:

- Internal consultants and managers who work for in-house consulting organisations – Clients of internal consultants
- External consultants who have worked with internal consulting teams on client projects
- Consultants who have moved between the two types of organisations (from internal to external and vice versa).

We have augmented our research with desk research and interviews with industry experts.

1.2 Definitions

We have used the following definitions and terminology throughout this report:

- In this document, we use 'Client' instead of 'Customer' because the internal and external consulting groups provide services rather than products - the 'Client' being the end user of the service
- Internal consulting or internal consultants refer to professionals employed by an organisation that has set up an internal consulting function
- Internal consulting functions are known by various names depending on the company's structure, industry, or area of specialism. Some common examples include Business Improvement Team, Business Transformation Team, Enterprise Programme Office, Corporate Development Group, Organisational Efficiency Group, Strategic Initiatives Group, In-house Consulting Group, Project or Programme Implementation Group, Management Consulting Group, Data Analytics Group, and Corporate Innovation Group
- External consultants or external consulting firms are professionals employed by traditional consulting firms (such as Accenture, BCG, McKinsey, Deloitte, EY, etc.)
- When referring to internal and external consulting organisations, we use the terms functions, firms, departments, teams, or groups interchangeably
- A captive client is the client organisation that is the parent organisation of the internal consulting group.

1.3 Report Structure

This report is structured as follows:

Executive Summary

Section 1: Research Scope, Definitions and Report Structure

Our objective for this research, the definitions used throughout and the report structure

Section 2: Defining internal consulting

In this section, we explain the key differences between internal and external consulting organisations and the implications for the internal consulting function

Section 3: The foundations of the Client-Consultant relationship: Respect, Trust and Value

These themes apply equally to both types of consulting organisations, and we look at the natural advantages/disadvantages they have in this respect

Section 4: Managing the Client-Consultant relationship throughout the consulting cycle

The operational impact of each type of consulting organisation as it works on a typical client engagement

Section 5: Growing individuals to increase the capabilities of the internal consulting group

We explore and compare the training needs and career progression opportunities for both types of consulting organisations and explore the challenges of effective knowledge transfer.

> *During the interviews, we captured a wealth of comments and quotes. We have used these liberally throughout this report to add 'colour' and to illustrate the points made by the interviewees.*

2. Defining internal consulting

Organisations usually bring in external consulting firms for specialist projects when they lack the necessary in-house skills or need to boost their existing project teams.

Large multinational companies have come to realise that creating an internal consulting function has its advantages over constantly relying on external consulting firms.

They have recognised that internal consulting teams typically have in-depth knowledge of the company and industry, making them well-suited for repeat projects or projects with established, repeatable frameworks focused on revenue growth, performance improvement, and optimising internal operations. This approach allows the organisation to retain knowledge and can also result in significant cost savings.

Projects well-suited for internal consultants are typically….

> *"Growth opportunities, … performance improvement, … and internal operations".*

Several interviewees stated that projects well-suited to the internal consulting function are repeatable, where lessons learned from one country or one business division can be used to maximise value and optimise results.

Other types of projects that work well for internal teams are those based on a set process, guaranteeing strong results through improvements, such as process optimisation.

> *"In certain areas where it's predictable. That's why we started the process mining because it's the same pattern that you can follow… We give a benefit for [finding] efficiencies that can be improved, which are eye-openers for the leadership team".*

While external consultants must familiarise themselves with the client organisation and the task, internal teams have the advantage of prior experience, enabling them to deliver projects more quickly and efficiently. As a consequence, internal consulting teams often develop frameworks that do not require much external perspective, but which they know will work in their organisation and their culture.

The internal consulting function's greatest strength lies in its knowledge of the organisation's internal workings and culture. However, this same strength is also its weakness – a lack of insight into developments in other organisations and industry sectors. As one interviewee noted:

> *"We very often use external consultants when it comes to topics that are not necessarily core, so where we don't have all the internal knowledge available. The other situation is programs that are a little bit sensitive from an HR perspective, i.e., cost savings, where the external consultant might be more independent in a way".*
>
> *"Where we do not play is usually something that is a new business, new capabilities outside the core, anything that is a C-Suite level change in something new, anything that requires benchmarking, anything that requires a strong external perspective".*

Before we explore the nuances, advantages and constraints of the internal consulting function, we want to start with what we have named the 'Corporate Contract '- the strategy of the Internal Consulting Group.

2.1 The Corporate Contract

> *"If you want to know what your destiny is, you must find out what you are meant to be". Buddha*

In our earlier research, we stated that each internal consulting function has a 'Corporate Contract', which takes various forms. Some are explicit, while others are vague or implicit. Our research found no overall pattern or structure to these Corporate Contracts. Each internal consulting group's Corporate Contract appears to be unique, with its own set of gaps, weaknesses, and inconsistencies.

The Corporate Contract defines the strategy of the internal consulting function, outlining the services the internal consulting group will provide, to which customers, under what competitive conditions, authority, and financial conditions. It provides the context for creating the most effective internal consulting group.

We previously stated that this contract should be explicit to ensure absolute clarity in strategy and objectives, defining the areas where the internal consulting group should be deployed, and equally, where they lack the necessary expertise and should not be deployed. This is similar to the market positioning of external consulting firms, where some focus on strategy, others on implementation, and others on a particular discipline or industry vertical.

Our recent research has shown that most internal consulting functions have become much clearer about their areas of specialism – where to focus and, importantly, where not. Best-practice internal consulting organisations and their management are now very explicit in this regard.

> *"For internal consulting, it's things that can be solved through known frameworks that do not require external perspective. Some examples are: process improvement, cross-functional change, and go-to-market strategy if we've done it before. Also, anything productivity-related with a clear scope and target, like "increase productivity by XX% in this business".*

Most internal consulting functions have expended significant effort in defining 'who they are and what they stand for'. They can be explicit about their 'Corporate Contract', which gives them a clear identity.

In Section 5, we discuss how internal consulting functions are further professionalising their operations and growing their teams' capabilities. However, this must be set in the context of a clearly articulated strategy – the Corporate Contract – which is the first, essential, and necessary

step in growing the internal consulting group's capabilities. As a minimum, it should cover the following:

- Services offered: The Corporate Contract should explicitly state the consulting disciplines and services offered, where the internal consulting group can excel, and which areas are best left to external consultants. The service offerings should be focused but not too limited, avoiding pigeon-holing, and not unrealistically broad, which would negatively impact credibility. A clear service offering promotes the notion that internal consultants are specialists in their field, deserving of cooperation and respect on a par with external consultants. Without a clear definition, the internal consulting group may feel they must respond to every client demand, leading to a 'shower-head' instead of a 'pipeline'

- Clients and the engagement process: The Corporate Contract should clearly outline the client engagement process and how services are 'procured'. It should spell out the responsibilities of both the consultant and the internal client, including conditions to be met before starting a piece of work, reporting, meeting schedules, cost (time and effort), and client vs consultant responsibilities

- Competitive Conditions: The Corporate Contract should explicitly state the competitive conditions under which the internal consulting group operates. Will they bid in open competition with external consulting groups or work solely for captive clients? Some organisations dictate that clients must use the internal consulting group if they provide the needed service. Others stipulate that clients must approach the internal consulting group first and go outside only if they cannot do the work or meet the required time frame. Finally, there are instances of a mixed economy, where clients can get competing bids from external consulting groups and the internal consulting group

- Terms and Conditions, funding, and reporting: Most internal consulting functions are funded by their corporate centres, like other corporate staff functions. The Corporate Contract should spell out how projects are funded (cross-charged, billed hourly, fixed fees) and how this is recorded. If there is no charging mechanism and services are effectively 'free', this will likely negatively impact the internal consulting teams' status. Whilst internal consulting groups lack the sophisticated project-based financial management systems of external consulting groups, they should invest in project and cost tracking systems to demonstrate value and cost effectiveness, even when clients are not directly paying for their time. Although part of the same organisation, the internal consulting group should establish a degree of formality when contracting for and starting consulting projects

- Position in the corporate hierarchy, reporting, and escalation processes: In most organisations, senior management sign-off is required to engage external consultants, affording them respect. The same should apply to the internal consulting group, which needs to report to someone senior in the organisation's hierarchy to command respect. The position in the corporate hierarchy influences the credibility they command. The reporting lines of the Internal Consulting Group to the Corporate Centre, CEO office, CFO, or the Board should be explicitly stated, including day-to-day reporting escalation and dispute resolution processes.

2.2 External vs internal consulting – the fundamental differences

In this section, we explore the fundamental differences between internal and external consulting groups, highlighting four unique challenges faced by the internal consulting groups.

These four areas represent both a challenge for the internal consulting function, but equally can give them a competitive advantage over external consulting groups. The four areas are:

1. The internal consulting function is embedded in the corporate culture
2. The internal consulting function is managed by and to corporate expectations
3. The internal consultant serves two masters – the client and the corporate
4. The internal consultant is constrained by its position in the corporate hierarchy.

2.2.1 Internal consulting – the internal consulting team is embedded in the corporate culture

The corporate culture clearly has an influence on the way in which internal consulting teams operate. Notwithstanding what the Corporate Contract stipulates, internal consultants have to operate within their organisation's corporate culture, accepting its norms and standards. They operate in the same style as the rest of the company. While the cultures of the internal consulting groups interviewed clearly differ, common themes emerged.

- Internal consultants believe that external consultants are better equipped to question the client's 'sacred cows' – challenging the client's senior management and/or culture. Over time, the internal consultant may have grown accustomed to certain behaviours or business practices. In contrast, the external consultant, having worked with multiple clients and corporate cultures, is more likely to challenge the accepted 'status quo'
- This is particularly crucial when challenging individuals and their behaviours. The internal consultant's concern is that if the individual they are challenging is a senior figure in the organisation, they can directly influence the consultant's career. If the person is a peer and colleague, it may put their future working relationship at risk. By contrast, the external consultant can be more forthright, as they will move on to a different project at a different client

> *"Inside [the organisation], we can't stand up and tell it the way it is, like [the external consultants]".*
>
> *"We tried to do the same as external consultants – whilst wearing kid gloves. This was because we were known by everyone in the organisation. Basically, we were walking on eggshells".*

- A key advantage of internal consultants is that they are well networked, know who to talk to, and can access critical information more readily than external consultants. They know how to 'navigate' the organisation. However, they feel that external consultants can gain access to senior stakeholders more easily and quickly than internal ones

> *"It is easier for external consultants to get the ear of senior management and to get them to listen".*

- Working hours and work-life balance were mentioned in our original report, but they featured much more prominently in our recent research. Whilst external consultants frequently face fluctuating workloads, extensive travel, and the pressures of managing multiple client relationships, internal consultants commented on having more stability and predictability over their work schedules, often following their company's standard hours.

When asked to measure work-life balance on a scale of 1 (poor) to 10 (optimal), internal consultants averaged 8, while external consultants averaged 5.

> *"McKinsey consultants worked very hard, 7:00 am – 11:00 pm. They were constantly thinking about the job, on-site and afterwards".*
>
> *"The external consultants worked long hours. I can't imagine how they ever saw their families".*

Work-life balance and the ability to work from home from time to time, is a key consideration for many people seeking employment or considering changing jobs. We discuss hiring policies for an internal consulting organisation in Section 5, but a better work-life balance could become a real 'draw' for external consultants seeking respite from the constant travel and pressure which is part of working for an external consulting firm.

2.2.2 Internal consulting – the function is managed by and to corporate expectations

The internal consulting groups participating in our research had diverse strategies and areas of operational focus. However, each of the consulting groups was governed by the mandate given to them by the corporate centre. The mandate informs the internal consulting group's Corporate Contract, which in turn impacts the services they can supply, including the internal clients, cost, terms and conditions, and competition. In effect, the corporate mandate replaces the strategy of an external consulting group.

Whilst the above may appear obvious, it has far-reaching implications for the internal consulting group. Suppose the mandate from the Corporate Centre is narrow, for example, only restricted to programme management or process improvement. In that case, the function becomes 'pigeon-holed' and will become known for providing one service only. Irrespective of how good the individuals in the team are, the expectation is that this is the only service they are able to deliver. This obviously limits the types of engagements they can work on and may adversely impact the skills and development of the team.

The opposite can also apply. Clients typically have a broad understanding of what they need and expect from their consulting partner. They will seek the help of consultants when:

- They have never undertaken such a project before and need access to specialist skills and resources
- They have tried it before but failed and realise they need expert help

- It is a project that is sensitive to people, cost or reputational dimensions.

An internal consulting organisation is unlikely to meet all of the criteria above, and it would be unwise to expect the internal consulting group to tackle such programmes.

2.2.3 The internal consultant serves two masters – the client and the corporate

Our original research reported that internal consultants stated that they felt they were constantly serving two masters, the Client and the Corporate. As a result, they often felt pulled in two directions. The external consultant, by contrast, serves only one master – the client who pays their fees.

The relentless focus on the client, fee revenue and utilisation in an external consulting organisation drives a dedication to excellence. External consulting groups live or die by their fee revenue; internal consulting groups live or die by their allocation of resources in the annual budgeting cycle by the Corporate Centre.

Without exception, all the internal consulting groups we interviewed were funded by corporate budget allocations, even those whose clients 'paid' for internal consulting services by cross-charges. Corporate (not the client) is the paymaster for internal consulting services in the case of cross-charging. This effectively takes power away from the client.

The power of the client consequently also looms far less in the lives of the internal consultant. The challenge for internal consulting group management is to make the client as important to the internal consultant as it is to the external consultant.

Another point made by several internal consultants was having to juggle the politics of the organisation. Whilst the external consultant leaves the client organisation after the project has been completed, the internal consultant remains and will have to work with those they have interacted with again at some point in the future.

> *"We have more constraints than external consulting groups because external consulting groups have no 'Corporate laws' to abide by".*
>
> *"Change management is a large and difficult one, regarding the people aspect. When you're an internal consultant, people expect you to empathise and understand their problems and the politics, but that's counterintuitive when trying to drive change".*
>
> *"Politics is the biggest challenge. Any consultant can overcome project scope, directions and other details".*
>
> *"Political and unhidden agendas" are the biggest problems facing internal consultants.*

2.2.4 The internal consultants are constrained by their position in the corporate hierarchy

In consulting, whether internal or external, the more senior the client, the more influence the consultant is perceived to have. If the client buys into the recommendations, they are more likely to be implemented.

External consultants, especially Partners and Business Development Executives, excel at building relationships with senior-level clients. These firms have a clear client engagement structure, typically consisting of an account manager or partner, a senior delivery executive, and subject matter experts and delivery consultants. This well-oiled machine shares information from within the client organisation and combines it with expertise from other clients and sectors.

In contrast, the internal consulting function cannot compete with this, which links back to corporate expectations.

The internal consulting function's position within the corporate hierarchy is crucial for its perception and ability to deliver successfully.

Interviewees reported being most effective when they had close relationships with their organisation's executive team members. Collaborating with executives allowed for greater influence and the opportunity to work on high-priority projects.

Our research found that some groups, particularly in strategy and business process re-engineering, report directly to the CEO or the CEO's office. Generally, an internal consulting group higher up in the organisation focuses on more strategic consulting and has a higher profile.

> *"I am effective as an internal consultant because I report to the CEO. If I did not, I would have no power".*
>
> *"The group has high visibility due to verbal direction from the CEO, but its influence shrinks significantly when straying away from process-related projects".*

On the whole, the consulting groups or individuals who reported to the executive team members of their organisations seemed satisfied with their influence and respect:

> *"It depends from firm to firm. At one firm, the team fell right under the CEO and we enjoyed quite a bit of influence over other teams. At another, the team fell under the COO and the influence was limited".*
>
> *"Since having higher level access to senior leadership…the nature of the projects has simply grown and tactical at minimum and [instead] strategic direction on a more regular level…Overall, the order of magnitude has increased, more exposed, more impactful".*

An internal consulting group which reported lower down in the hierarchy usually does more operational or implementation work and is less high profile. These groups noted with dissatisfaction the differences in this area between themselves and external consulting groups.

In summary, the status and respect granted to the internal consulting group are directly linked to its perceived status and reporting line in the corporate hierarchy.

3. The foundations of the Client-Consultant relationship: Respect, Trust and Value

Three themes were raised repeatedly during interviews with both internal and external consultants: Respect, Trust and Value.

These three elements are vital to the success of both internal and external consultants, forming the foundation on which a positive and sustained client-consultant relationship is built. The internal consulting group needs to be more aware of the impact of these elements when setting their Corporate Contract, in order to build on the natural advantages they have as members of the same company as their clients.

The three themes are essential during all stages of the consultant–client relationship, whether it's managing and sustaining a relationship, selling, delivering or finishing a project. We explore the four stages (sustaining a relationship, selling a project, delivering a project and finishing a project) in Section 4.

In this section, we compare and contrast how internal and external consultant groups are viewed with regard to these three themes that capture the essential foundations of a professional client-consultant relationship.

3.1 Respect

In the area of Respect, the external consultant appears to have an advantage over the internal consultant.

External consulting groups gain institutional respect through their marketing and PR activities and the reputation as 'experts' which they have built up in a specific industry or market sector.

> *"One super clear advantage of externals… having the label of a big consulting firm. It makes no difference in terms of work very often. However, it gives credibility that we will never be able to get".*

Internal consultant groups tend not to spend time on marketing activities, although our recent research has shown that this has improved as internal consulting functions are establishing a clearer identity and role for themselves.

> *"We had very little time for marketing".*
>
> *"We don't have the glossy brochures; we cannot do too much selling footwork; we cannot afford to do it".*

An internal consulting group's institutional respect, by contrast, is determined by its position in the company hierarchy, by the personal influence of its leaders and senior delivery professionals, and by their 'symbolic' representations of status in the organisation:

"I am effective as an internal consultant because I report to the CEO. If I did not, I would have no power".

"The Golden Rule is high-level client support has to be there or don't even start".

"If you don't report to a C-suite member as the leader of an internal consulting group, that's where I always see the group get reabsorbed into the business".

"I insisted that our office was on the same floor as the CEO - it is important as a symbol of status".

In Openside's research, internal consulting groups that reported to the CEO or Chairman felt satisfied with the respect they received from their institution.

"It has to report to a member of the C-suite. I've seen where it doesn't, and it becomes watered down and becomes project management. You're not working on the highest value work".

IT-based internal groups in particular, often regarded as providing commodity consulting services, felt that external consulting groups gained respect from their public image and reputation.

"When the external consultants come up with our recommendations, people listen to them but they wouldn't listen to us saying exactly the same thing".

External consulting groups are perceived as having the advantage of fielding 'better' people. The internal consulting group's ability to recruit the best people in the open market is limited by its place in the company hierarchy, rank and salary grading structure, which impacts overall remuneration. This is particularly relevant at senior levels. The lack of a 'partnership' structure in internal consulting groups compares unfavourably with external consulting firms, where senior personnel have the opportunity to earn significant bonuses linked to sales and operating revenues.

"We cannot compete with external consultancies in terms of financial rewards".

"Moving from an external consulting firm to an internal consultancy did not affect my immediate remuneration package. But I understood that I faced a loss in future earnings".

The aftermath of a poor project also provides a particular challenge for an internal consulting group. An internal consultant has to continue to work in the same organisation as a disappointed client and has to live down a possible negative image. In contrast, an external group can remove under-performers from a client organisation and use new faces to create a fresh image.

"The biggest potential disadvantage of being an internal consultant is that one bad piece of work could destroy our whole market".

External consulting groups are perceived as having greater depth and breadth of experience, of having done more projects of a specific kind and having done them in more companies – possibly including competitors – in more industries, in more countries. An external consultant often has to limit what is carried forward from a project with competitor A to a similar project with competitor

B due to client confidentiality reasons, but the client may not fully appreciate this.

> *"One of the issues of being an internal consultant is that you are not perceived to be as competent as external consultants".*
>
> *"Internal consultants are just not of the same calibre or quality, mainly because they have a much narrower pool of resources to pull on".*
>
> *"[The external consulting group] had an international network of specialists that they could resource".*

The counter-balancing advantage of the internal consulting group lies in its being deeply embedded in the company's culture and having a greater depth of understanding of the company, its culture, history and politics.

> *"The client expects us to understand the business, not only technically but also how to get things done around here, in a way they would not expect external consultants to".*
>
> *"We understand the client, the culture and the business. The learning curve is not so steep".*

However, having a deep understanding of the internal workings of the parent organisation equally applies to the client and is therefore not regarded as special or differentiating. For this reason and reinforced by the external consulting group's tendency to use joint client/consultant teams, the client does not value the insight brought by the internal consultant as much as it values the external consulting group's knowledge base and experience from other clients and engagements.

Finally, external consulting groups are seen to gain a client's respect because they charge real money, whereas none of the internal consulting groups interviewed depended on fees from their internal clients.

Cross-charges, when in use, were paid by the client out of internal budgets. As a result, the client's (internal) budget could be spent only on internal consultants or on other internal resources. It could not be spent externally. Clients thus stand to gain by active support of the consulting cycle with external consultants, as in their eyes, this represents real money. They therefore respond more promptly to requests for meetings, giving interviews, access to data, and making decisions. But they lose little, possibly nothing, if the internal consulting group does not charge for time. As a result, they allow their other priorities to delay the process of internal consulting projects.

> *"Clients automatically respect PwC and understand full well that if they [the client] show up late or unprepared for a meeting, they are wasting their money because the consultants are being paid real dollars. The same is not true when meeting with internal consultants and paying funny money for them".*
>
> *"External consultants have it easier than the internal consultants. We pay them a lot, they tend to be listened to [they] have more influence, especially in a large organisation".*

However, our recent research has revealed a change in thinking among several internal consulting organisations. When selling work, external consulting firms would encourage clients to make their internal resources available, who would work either alongside or under the guidance of the external consulting firm. The reasoning is clear: internal staff members know their way around the organisation and can facilitate access to client staff and information. The external consultancy would argue that this also helps keep costs down and facilitates knowledge transfer.

We have seen internal consulting groups now doing the reverse. They want to procure external consultant expertise for internally led projects, using the external consultant's experience and knowledge gained on other, similar projects. The concept is great, but there are a number of aspects which need careful management. Team dynamics - will the external consultant work well within the internal team? Leadership – external consultants are trained to take the initiative. Will they allow themselves to be led by the internal project lead? Sales – external consultants are encouraged to look for on-sell opportunities. Is that feasible and allowed? There is no simple answer, other than creating absolute clarity and each party understanding the demands and needs of the other.

3.2 Trust

In the area of Trust, internal consulting groups have a real advantage.

Internal consultants enjoy a high level of trust. Clients know the internal consultants are managed by and to the company's expectations and see them as working for the good of the company.

> *"We have their trust because we are not motivated by a partnership's sales targets".*

They do not have short-term consultancy goals, even though the terms of the internal consulting group's Corporate Contract may create some conflict.

> *"As compared to external consultants, we have no short-term requirements. Our economic imperative is to add value to the organisation - we don't have to make quick gains".*

Internal consultants are a known quantity: their internal reputation is based on actual work done for the company. External consulting groups, as outsiders, are not given the same level of trust – they will need to earn it. However, a compensating factor for external consulting groups is the much higher level of control the client has over the consulting relationship. The client chooses, hires, directs, pays (or does not pay) and can easily fire or re-hire the external consultants.

With the internal consulting group, every one of these decisions is influenced by the corporate centre, and such decisions may even be taken away from the client.

3.3 Value

We define value here as a realised benefit to the client that far exceeds the costs.

> *"We are massively competitive on cost terms… [our] billing rates are 40% of external billing rates. They simply cover direct and indirect costs, thus massively undercutting external competition."*

> *"Our mission is to displace the spend on external consultants because we cost less".*

Value is the area where internal consulting groups perceive they have many advantages. The greater depth and breadth of experience of the external consulting group may pay off with a higher benefit solution. However, the internal consulting group has significant advantages in the push to realise a project's benefits. Internal consulting groups feel they understand the corporate culture better and can therefore recommend more practical, realistic and implementable solutions. This intrinsic knowledge enables them to provide more tailored and contextually relevant advice.

> *"The clients expect us to understand the business, not only technically but also how to get things done around here in a way they would not expect external consultants to".*

Internal consulting teams can offer greater agility and responsiveness compared to external consultants. Being embedded within the organisation, internal consultants can quickly mobilise to address emerging issues or opportunities without the delays associated with procuring and onboarding external consultants. Also, as internal consulting groups do not leave the company at the end of the project, they are able to stay close to the implementation, helping out when there are problems. This retention of expertise within the company ensures that valuable insights and strategies are not lost, which is often the case when an external consultant's contract ends.

> *"We're there. We can't run away. We are much more dependent on the long-term future of the project".*

Potentially, internal consulting groups have a clear and deliberately created cost advantage. None of those interviewed was mandated to charge their clients the going market rate for external consultants for their services. All had charge-out rates that ranged from cost-based down to zero. However, this cost advantage did not always seem to translate into an advantage in the consulting relationship. The reasons were identified as:

- A zero charge-out rate can backfire in terms of respect
- Competitive charge-out rates were obscured by a lack of understanding (by both consultants and the client) of how charges were generated.

> *"Our services are low in price. This affects the way people perceive us - on the shopping list of the low-cost option".*
>
> *"We are cheap, so we are not seen as being as worthwhile as something that costs till it hurts".*

The challenge for the internal consulting group is to build the basis of a strong client-consultant relationship and improve their ability to articulate the value they bring.

As this section has highlighted, the internal consulting group has some significant and intrinsic advantages over their external counterparts. The challenge is to build the organisation, management processes and internal capabilities to exploit these advantages and counter those areas where the external consultant teams have an advantage.

4. Managing the Client–Consultant Relationship throughout the Consulting Cycle

We have reviewed the operational impact of the internal consultant's unique situation using a simple four-step, looped model of the consulting cycle (see Exhibit A).

The four steps are:

1. Managing and sustaining the relationship
2. Selling the project
3. Doing – delivering the project
4. Finishing the project.

During the first phase, the relationship between the consultant and client is created and then sustained until circumstances suggest that the consultant might undertake useful consulting work. Negotiations follow in the second, the Selling phase. When agreement is reached, the Doing phase begins and is followed, eventually, by the Finishing phase. At this point, the consultant moves back into simply managing the relationship.

For the external consulting group, this model can be extended to include the entire consultant–client business relationship (See Exhibit B). In an external consulting group, the most profitable business comes from existing clients through the management of existing relationships. The capture of new clients through marketing activities or through responding to 'Request for Proposal' (RfP) is not so profitable but is essential for growth and to replace lost clients.

In this section, we explore the differences between internal and external consulting groups as they work through the four-step consulting cycle.

4.1 Managing and sustaining the relationship

External consulting groups have to sustain client-consultant relations even when not working on a project. Internal consulting groups do not.

> *"We don't have time to do any marketing or PR. We don't need to".*

External consulting groups recognise that sustaining relationships is essential. They make resources available and reward consultants for relationship-sustaining activities. In sustaining relationships, external consulting groups have advantages in that, if done well, the client sees it as free and value-adding. It also strengthens Respect and Trust, which are the foundations of the relationship.

Managing and Sustaining the Client–Consultant Relationship

Internal Consulting Group (ICG) VS	External Consulting Group (ECG)
No need to sustain an ongoing relationship-building process	Strong focus on maintaining relationships and engaging with new contacts
ICG have a captive market – clients, as a minimum, must always talk to them	Freedom to decide how to manage client relationships to ensure an ongoing source of projects and fee income
Ground rules for the client-consultant relationship are defined by the Corporate Contract, which sets who they will serve and under what competitive conditions	Engage with procurement to always be invited to bid for opportunities
Some internal clients have no choice but to use the internal consulting team. Few can completely avoid engaging with the internal consulting team	Relationship sustaining activities increase the chance of being included in the short list for bids, or even becoming the sole bidder
Internal consultants remain physically present and are naturally in touch with internal development	Recognition that sustaining relationships is essential to strengthen Respect and Trust, with resources and content made available
ICG – as insiders – can be part of their client's formal and informal processes, with or without a formal invitation	

The external consulting groups invest time and effort in keeping in touch with current and past clients. They recruit senior people who excel at this, who are well networked and are able to build rapport instantly. Most external consulting firms train their consultants in the fundamentals of business development, effective networking and sustaining relationships. This pays significant dividends for them.

The internal consulting groups have a captive market and theoretically do not need to do the same. However, we would argue that there is significant value to be gained from adopting some of this best practice. The challenge for the internal consulting group is to quantify what additional benefits they can gain and what resources to commit to maintain ongoing relationships with senior individuals in their parent organisation.

4.2 Selling a project

As a project possibility becomes a probability, the external consultant shifts into selling mode - a natural progression in the process. The external consultant's goal is to secure the project. In this step, the internal consultants usually work quite differently as the project is theirs by right, or at least theirs to lose. The internal consultant's objective is to gain sufficient understanding of the project, enabling them to scope and plan the necessary resources and confirm that their group can complete the project within the required timeframe.

> *"We sometimes develop a proposal. We might just write a letter or have an informal discussion".*

Selling a project

Internal Consulting Group (ICG)	VS	External Consulting Group (ECG)
The selling phase is less formal and less structured		Effort-intensive phase to glean background, critical success factors, people's agendas and factors which may give the ECG a competitive advantage
The internal client often takes the ICG's ability to be able to deliver for granted, particularly when it is a 'repeat' project. This can lead to less client involvement and oversight		Sales engine is mobilised – with a structured proposal preparation process, a dedicated bid team and senior management/partner oversight
Less need to produce a full project proposal. As a result, may start a project without formal agreement on objective, benefits, risks, approach, staffing, other resource requirements, and budget		Creation of detailed proposal, setting out methodology, project plan, resources, deliverables, staffing, timescales and costs. Usually accompanied by case studies, testimonials and CVs
When competing against external consulting groups, the ICG has cost as an unbeatable competitive advantage, as their cost are set low through their Corporate Contract		Formal presentation – often with the delivery team present

> *"Our planning process is less rigorous than an external consultancy, and yes, this is a weakness".*
>
> *"We don't do enough research to learn about our clients. Real consultants would never skip this step".*

Since the publication of our original research, we have noted that internal consulting groups have made massive improvements in this area. They have adopted several best practices from external consulting groups, recognising that significant benefits can be gained from pre-project research, planning, and analysis, leading to a formal proposal or at least a detailed Project Initiation Document (PID). This change is driven by several factors:

- Many internal consulting groups have hired leaders from external consulting firms, who have become part of their internal management teams. These experienced external consultants have introduced more rigour and discipline
- The change is also driven by internal clients, particularly those who use both internal and external consulting organisations. Being used to detailed proposals from external consultants, they have come to insist on similarly detailed plans from their internal consulting partners.

Although these 'internal proposals' may not be to the same standard as those from external consulting companies – for example, in case studies or individual CVs – they ensure that the internal consulting group is better informed about the project's objectives, risks, and critical success factors, ultimately leading to better and more successful outcomes.

4.3 Doing - Delivering a project

The internal consulting group has a clear advantage when it comes to mobilising quickly. They know the organisation and its stakeholders, knowing who to engage to get started and what information to collect, especially for projects that repeat work done in other parts of their parent organisation.

However, internal consultants and external consultants enjoy different advantages in:

- The problem-solving approach
- Access to people
- Access to information
- Access to high-quality support.

Many external consulting groups define their clients' objectives and generate solutions using distinctive problem-solving approaches. A well-known example is hypothesis-based problem solving. These methodologies often contribute to the external consulting group's reputation or market position.

Internal consulting groups frequently use methodologies brought in piecemeal by individuals or carried over from previous engagements. However, these methodologies lack systematic training and are sometimes abandoned as the project progresses.

Doing – Delivering a project

Internal Consulting Group (ICG) VS	External Consulting Group (ECG)
ICGs perceive themselves as relying upon structured methodologies, often brought in piecemeal from outside, but not supported by systematic training throughout the ICG	ECGs often use distinctive problem-solving approaches. They are commonly understood and widely used throughout their organisation, at all levels.
Without this formal adoption throughout the ICG, the methodology is either applied too rigidly or abandoned when it demands imagination or deep and wide-ranging experience	Formal and structured training means that all consultants work in a similar and systematic manner. It creates a 'common language' throughout the teams
Internal consultants must work with and through their position in the company hierarchy	External consultants are deemed more experienced and are awarded greater respect. This means that they get faster access at whatever level it is needed, and get people to listen with more attention
Internal consultants believe they get better data faster because of their knowledge and understanding of the company. This particularly applies to confidential information because they are regarded as trusted insiders	Better informed about other companies and industries. Access to databases and benchmark information. Formal mechanisms, to check with colleagues working with other clients
When working on a repeatable/known type of project, ICG will know what to look for, what data is needed and will be able to deliver quickly and efficiently	Will take an outside perspective and may suggest alternative, more effective solutions
	Sign-off processes to ensure work is Quality Assured and approved at key stages
Typically, no dedicated support structure – ICG consultants need to do their own admin, project support and deliverables preparation	Team structure allows the leverage of junior staff to support senior consultants, enabling the team overall to use their time more efficiently. Strong back-office support for report production

> *"We steal unashamedly from the best of the best of the external consultants".*
>
> *"The issue diagram is a powerful technique. It helped me to think about things I hadn't thought about".*
>
> *"We tend to focus on the activities rather than the thinking. We don't use hypotheses".*

> *"They trust us more than they trust external consultants".*
>
> *"When gathering information, [internal consulting groups] know where to obtain it and from whom".*

One of the recurrent themes in our research was the benefits gained by internal consulting groups that had incorporated external consulting 'Best Practice' into their consulting and delivery models. Examples include:

- The installation of validated and documented thinking processes and methodologies, such as issue trees, terms of reference, hypotheses, logic diagrams, and storyboards
- The use of credible (external) process auditors through joint projects with external consultants and internal consultants: by recruiting external consultants into internal consulting groups; by using external consultant mentors; and through external consultant training workshops
- Regular, structured contact with the external consulting environment, achieved through secondments to/ from external consulting groups or the rigorous enforcement of skill transfer during joint external/ internal consulting projects.

4.4 Finishing a project

The key advantage of external consulting groups in this phase is that they are expected to complete a project and then depart. The exit point is often outlined in the proposal and through project progress reports, sometimes even expressed as 'fees remaining'. This focuses the client's attention during the closing phase, ensuring they take responsibility for implementation or ongoing operations. These breakpoints will have been specified in the proposal and project plan. In contrast, both the internal consulting group and the client are aware that internal consultants are not leaving the company. As a result, the client may prolong the closing phase, defer sign-off, request further discussions, or fail to appoint someone to take over the consultant's role and assume responsibility for implementation or ongoing operations.

Finishing a project

Internal Consulting Group (ICG) VS	External Consulting Group (ECG)
No clear or absolute cut-off point. Exit criteria are often not precisely defined	A clear cut-off point is defined. Consultants stay only as part of a fee-paying extension
Client dependent on the internal consultant – reluctant to let (some of) the team leave	Little scope to linger due to the rigour of the ECG internal processes for resource allocation and utilisation
Opportunity to go the extra mile, to help with implementation and demonstrate the value and flexibility of the ICG	An effort is needed to remain in touch and nurture the relationship
Easy to stay in touch, sustain the relationship and spot further opportunities to engage with further work	

> *"The problem with implementation is how to define the endpoint clearly. There is no finish. You are there forever".*

The continued presence of internal consulting groups is also a key advantage at this stage, as they can support and nurture implementation in a flexible way, making it more likely for the client to truly achieve the benefits of the consulting project.

> *"The work we carried out will see results, and we could not walk away from it. There was a strong commitment to the organisation".*

In the measurement of project benefits, internal consulting groups have the advantage of being able to track the impact of a project beyond the finishing stage. External consulting groups, on the other hand, can usually only wait to hear about a project's impact through relationship-sustaining activities and to see if they are hired for another project.

In this privileged insider position, internal consulting groups need to decide what to measure, how to measure it and how to weigh the various measures of performance. Among interviewees, there seemed to be a bias toward client satisfaction surveys as the principal measure of performance. The breadth of access to performance measures demands a disciplined approach to performance evaluation - one which explicitly recognises the agendas of both clients and the corporate centre.

5. Growing individuals to increase the capabilities of the internal consulting group

Internal consulting groups have the ability to deliver significant value to their parent organisations, retain knowledge, and save considerable amounts of money by avoiding external consultant expenditure.

We explored the importance of the Corporate Contract in detail in Section 2.1, but we want to emphasise that clarifying or revisiting the strategy is a first, essential, and necessary step in growing the capabilities of the internal consulting group.

One of the key themes to emerge from our most recent research is the efforts leaders of internal consulting functions are putting into improving the skills and capabilities of their consultants, better equipping them for their work and making them as effective as their external counterparts.

External consulting firms usually have structured 'learning' paths for their consultants, covering all ranks from graduates to the most senior ranks.

Upon joining, graduates and junior consultants follow a structured induction and basic consulting skills training, where they learn about the ethos of the firm and are trained in essential consulting skills and methods. At an early stage in their career, they learn to 'put the client first', are trained to use essential consulting skills (both hard and soft skills), problem-solving techniques, basic communication and listening skills. In addition, they learn about the methodologies used by their firm and the specifics of the service or industry sector in which they operate. This means that when they work in teams on client site, they speak a common language, understand the consulting methods and tools used on their engagements, and can easily slot into any project role.

As their career progresses, the structured training programs expand to cover areas such as handling different personality types, influencing skills, coaching, team dynamics, leadership skills, and, importantly, the essentials of business development and building and maintaining client relationships. They begin to lead larger teams and carry responsibility for the effective delivery of client work. They will also be exposed to business development, either through working on proposals or by helping extension sales on their projects.

The external consulting group will have strict performance metrics that define the expectations for the consultant at all levels. Performance will be reviewed regularly throughout the year, and for each project they work on. Performance will be assessed against pre-determined criteria, and promotion to the next level can only happen if these criteria are met or exceeded.

Depending on the consulting firm, there will usually also be training at the senior consultant and Partner level focused on effective team leadership, firm management, client engagement, and growing accounts.

The above varies from firm to firm. However, the point here is that external consulting firms have a rigidly structured career and development path. Each rank requires more advanced skills, and the

consulting firm has training programmes in place to support the consultant and help them master the skills needed to be successful at their rank and progress to the next.

For the external consultant firm, this significant investment in their people means that it creates an effective 'consulting machine' where teams can be formed quickly, working with commonly understood methodologies and problem-solving tools.

For the individual consultant, it provides the opportunity to develop professionally, learn new skills, grow as an individual, and progress through the ranks. An explicit career path, with published metrics, gives them clarity on what to aim for.

In our research, we explored how internal consulting groups deal with the above. We recognised before we started our research that few would offer the comprehensive training path to match best practice external consulting firms, but we set out to understand what internal consulting groups are doing to increase the capabilities of their teams.

We have summarised our findings under three headings:

1. Training
2. Hiring and career progression
3. Working in joint teams to facilitate knowledge transfer.

5.1 Training

Most internal consulting functions are of limited size compared with their large external counterparts and lack the capability and capacity to cover the same technical and functional areas.

Many internal consultants are recruited from or seconded by internal departments within their parent company, chosen for their analytical skills and in-depth knowledge of a particular function or process.

There is a significant capability gap between someone who has spent 7 or 8 years working for an external consulting firm and someone who has worked for the same period in a large parent organisation before moving to an internal consulting function.

This was confirmed through our research.

> *"Quite a few of the advisors and consultants don't have prior consulting or strategy experience. So, they can have weaknesses in terms of synthesis and consulting a case or rationale for action, that type of insight"*

Participants mentioned a range of training needs in both hard and soft skills. Unlike external consultants with specialised expertise, internal consultants need to be versatile, adapting to various projects and challenges across different departments and functions. This versatility requirement necessitates comprehensive training programmes that cover a wide range of competencies.

Below are some areas where internal consultants felt they needed more training, supported by actual quotes from participants in our research:

- A formal induction programme covering the remit of the internal consulting function, its culture and ways of working
- A better understanding of strategy fundamentals and problem-solving to analyse complex situations
- Training in communication, storytelling, presentation, negotiation, and stakeholder management - vital for building relationships and facilitating collaboration
- Training in communication and conflict resolution to allow internal consultants to build stronger relationships with colleagues and create a collaborative work environment
- Training in leadership and influencing skills to help consultants understand organisational dynamics and drive consensus on key strategic initiatives
- Training in advanced data analytics tools such as machine learning algorithms and data visualisation software to extract valuable insights from complex datasets.

"Induction was not something I was given; however, expectations were set. Effective communication skills for consultants should have been something covered at the beginning".

"On top of [technical knowledge], it is critical to have a team that has robust consulting and interpersonal skills".

"All of those consulting skills make our lives a lot easier, but not a lot of people are trained in these consulting skills. If people could be trained in this, it would make a big difference".

"Training to cover client engagement'.

"We had a week learning about problem-solving methodologies, how to structure a problem, break it down, hypothesise, create issue trees for analysis to recommendation. I thought it was a good course. I had a background from my MBA, but I appreciate that there are people who don't have that background. It was super useful. It was useful for me to have the training in the context of the organisation".

"What could have been more helpful is deeper dives, as the nuances in technology are critical to getting the implementation correct".

"Digitisation: One key element…that would have been useful for us is the impact of digital on commerce and marketing. It's something we learned by doing. Nowadays, it could be an interesting topic to be covered because it has become a channel and whole plan for how you do business".

This leads us straight back to the Corporate Contract. Several respondents wanted further clarification on the remit of their own internal consulting function, ways of working and client engagement model:

> *"It would have been great to understand why and how strategy is set and executed using case studies of previous successes and failures from within the company".*

It would be wrong for us to suggest that the internal consulting functions do not offer training programmes to their consultants.

> *"For those coming from internal functions, there was consulting skills training".*

Our research suggests that internal consulting functions we have interviewed can and should go further, offering deeper training more frequently and with a more robust development pathway. This training should cover all ranks. In our experience, senior hires are expected to be familiar with all major tools and methodologies. However, when they join a new internal consulting group, they will not be familiar with its operating way and the internal tools, processes, and methodologies used. Therefore, senior hires should follow a similar training pathway to the consulting teams, possibly condensed.

5.2 Hiring, career progression and team composition

Consulting is a people-intensive business, and quality in consulting is people-driven. The quality of an internal consulting group ultimately depends on the quality of its people and supporting management processes.

External consulting groups have sophisticated hiring processes, seeking out the best and offering high salaries, sign-on bonuses, significant benefits, and performance-related bonuses. They also operate an 'up or out' policy, ensuring that lower-performing consultants exit the business, and only the best progress to leadership positions.

Internal consulting groups face significant disadvantages in this area. Without rigid performance metrics and up-or-out policies, firing low-performing consultants is more difficult, governed by the parent company's philosophy, policies, and procedures.

Financial rewards for internal consultants are also governed by the Corporate Centre's salary and benefits structure, applied throughout the organisation. Simply put, they cannot compete. This is evident at all levels, but more apparent when comparing partner levels in external consulting groups.

> *"Our salaries are constrained by the large organisation's pay scale".*

Without the clearly defined and structured career paths of external consulting groups, internal consultants also have limited career opportunities.

> *"In our [internal] consulting firm, career opportunities for internal consultants are poor. To move up the hierarchy, you need to work for external clients".*

How do you then attract and retain top talent to the internal consulting function?

We have seen several tactics:

- Not everyone wants to work for an external consulting firm. Although the career prospects are exciting (travel, working with bright colleagues, and different projects for different clients in various geographies), it is acknowledged that working for external consulting firms, while fulfilling, is extremely demanding. Internal consulting firms have used this as a differentiator, highlighting the benefits of working for a large organisation, regular hours, and the opportunity for progression into mainstream activities beyond consulting within the parent organisation

> *"We cannot compete with external consultancies in terms of financial rewards. Instead, we market the lifestyle that we can offer. We are much more geared to normal office hours".*

- Selecting from within. Several organisations we interviewed operate fast-track development schemes for their high-flyers, where individuals rotate through key functions within the parent organisation. Several organisations include the internal consulting function in this process, attracting high-calibre talent into the consulting group. However, these individuals require training in core consulting skills. A further benefit is that having worked in the internal consulting group, they are familiar with its workings and may use the services of internal consultants when working in other functions

- A variation on this is seconding key personnel (the brightest and the best) to the internal consulting function for up to 2 years as part of a structured career development path

- Probably one of the best ways to attract high-quality staff is to recruit from external consulting firms. Not those forced out due to underperformance, but those genuinely seeking a career change. As external consultants grow older, and possibly have children, the relentless pressure leads many to re-evaluate their priorities, opting for better work-life balance, working hours, and more family time. These individuals have received necessary consulting skills training to be effective consultants and relationship managers, bringing significant consulting and leadership expertise to the internal consulting function.

The internal consulting groups should capitalise on the results of our survey, where we measured work-life balance on a scale of 1 (poor) to 10 (optimal). The average score for internal consultants was 8, while external consultants averaged 5.

Another development area for internal consulting functions is creating a more structured career path with clear progression criteria. Nobody wants to be stuck in a job with little chance of advancement. Again, the internal consulting function cannot compete with external consulting firms, but it can adopt their best practices. It should define a clear consulting rank structure that fits into the corporate banding. Performance expectations should be clearly defined and measured for each project, with face-to-face client feedback meetings between leaders from the internal consulting function and the client, rather than simply completing an electronic form. By investing in these practices, those who truly excel can be identified and rewarded, and equally importantly, those who are mediocre or perform poorly can also be identified and remedial action taken.

We also explored team composition in our latest research, which varied on a scale from largely internally hired individuals (from other functions) to largely externally hired consultants (from other consulting firms). However, not surprisingly, the most common model encountered was a mix of internal and external hires.

The challenge for the internal consulting function is to bring in people who fit into the parent organisation's culture and who recognise that stakeholder engagement and management are perhaps more important for internal consultants than it is externally. Operating within the same culture, with stakeholders deeply embedded in their organisation, requires tact – just focusing on the task in hand is not enough.

> *"What works well is having a mix of the right level or diverse level of expertise in the consulting team, i.e. half internal (coming from functions like innovation and R&D) and half external. This also provides a huge network and access to a lot of experts that each person knows".*
>
> *"I will have half with external consulting experience and half with internal company experience with strong analytical capabilities. That mixture is very important. A healthy mix is the solution. You are not a good enough consultant, or you are not a good enough internal employee, so you have to find the right balance".*
>
> *"We deliberately hire new consultants to not have to educate them on consulting. At least 2-3 or maybe 4-5 years' experience in consulting or project work. We now have a clearer management expectation for hires and a clear external profile for hiring".*

As summarised in the last quote, the internal consulting group's management and recruitment team needs to clarify the required skills and also assess how the consultant will fit in and adapt to the organisation's culture and ways of working.

5.3 Working in joint teams to facilitate knowledge transfer

The internal consulting groups we interviewed recognise the advantages their external consulting colleagues have in terms of skills, salaries, and training. They have invested significant effort into upskilling their internal team to clarify where they can or cannot compete with external consulting teams, and where they can differentiate and gain a unique advantage over external consultants.

Internal consulting groups strive to differentiate themselves and create a distinct consulting culture. As internal consultants have risen through the ranks, 'company people' now hold leadership positions in internal consulting groups, often being well networked and experienced in delivering in a closely and sometimes complex networked environment.

The consulting groups we interviewed, both in our past and most recent research, listed several approaches to enhance the quality and capability of the internal consulting function and facilitate knowledge transfer. In addition to upskilling through targeted hiring, many are collaborating with their external consulting partners to establish structured knowledge sharing and knowledge transfer programmes.

External consulting firms constantly seek ways to improve their 'value-add'. As clients and the procurement function increasingly push for 'that little bit extra', the area of structured knowledge transfer presents a potential 'win-win' for both the internal and external consulting groups.

The combined internal/external team should deliberately build learning opportunities into the project delivery process. This can take the form of regular workshops, hands-on training sessions, and genuinely joint working. The programmes should be designed to systematically share expertise, methodologies, and best practices. If done well, this approach fosters a learning culture within the client organisation and helps ensure that the impact of the consulting engagement extends beyond the project duration.

> *Internal consultant: "I prefer mixed teams (consultants + client) on projects. Team members from the client are more probable to be accepted as the champions of change".*
>
> *External consultant: "Spend one-on-one time with this stakeholder and produce material with them for them to administer and share with their teams".*
>
> *Internal consultant: "For knowledge sharing, we consciously try to shadow externals".*

The challenge is to ensure both parties understand that knowledge transfer is a key and measurable part of the project's deliverables, not just something promised to tick a box in procurement's evaluation criteria.

> *"Shadowing and close collaboration works well if it's targeted and that it's clear that that's the deliverable".*

In our research, we found organisations where the procurement function treats knowledge transfer as a key project deliverable, working with stakeholders and the internal consulting function to define clear objectives and deliverables for knowledge transfer – as the quotation below shows, the internal consulting function is engaged in the process.

> *"We are 40-60% share of the wallet. As we are optional by default, we even help with the procurement process. And sometimes we co-staff with externals deliberately".*

Effective knowledge transfer requires significant time and effort, which may distract the external consulting team from its task. It is also important to realise that there is little gain for the external consulting firm in doing this. Why give away the crown jewels?

This presents a delicate balance for both parties. The increased involvement of internal consultants in the project can lead to confusion about who is responsible for which aspect. The senior external consultants – those expected to make time available for training and knowledge transfer – are often in high demand for other critical project aspects or for winning new business.

The internal team, with the help of procurement and the client, needs to build knowledge and skills transfer into project deliverables. One option is to request this as part of the ongoing relationship between the external consulting account team and the client organisation. Can the external consulting partner share their consulting development and training path? Can they run training sessions for the client team? Can one of their trainers run a train-the-trainer session for the internal Learning and Development team?

In an environment where internal and external consulting groups co-exist and deliver projects for the same parent organisation, there should be plenty of opportunities to learn from each other. However, the internal consulting group will need to take the initiative to make this happen.

Conclusion and Appreciation

Conclusion

Establishing and enhancing well-trained internal consulting teams can be a critical factor in organisational success. These teams not only enable effective problem-solving and strategic decision-making but also foster a culture of continuous improvement and innovation. When leveraged properly, internal consultants can deliver strategic projects that align with organisational goals, often at a lower cost and with greater contextual relevance than external firms. Their deep understanding of the company's culture, strong internal networks, and inherent cost-effectiveness make them uniquely positioned to create substantial value.

However, these advantages are often hindered by unclear mandates, inconsistent methodologies, limited exposure to external perspectives, and difficulty in gaining authority and recognition. To overcome these barriers and fully realise their potential, internal consulting groups must formalise their strategic mandate through a well-defined Corporate Contract, invest in structured, ongoing training, and implement robust project management and performance evaluation systems.

A compelling talent proposition that combines work-life balance, structured career development, and selective external hiring will be key to attracting and retaining high-quality consultants. Elevating the function's position in the corporate hierarchy and fostering partnerships with external firms, focused not only on delivery but also on deliberate knowledge transfer, will further enhance their strategic impact.

By committing to these actions and cultivating a clear identity based on trust, respect, and value, internal consulting groups can move from being support units to becoming vital strategic partners that help shape the future of their organisations.

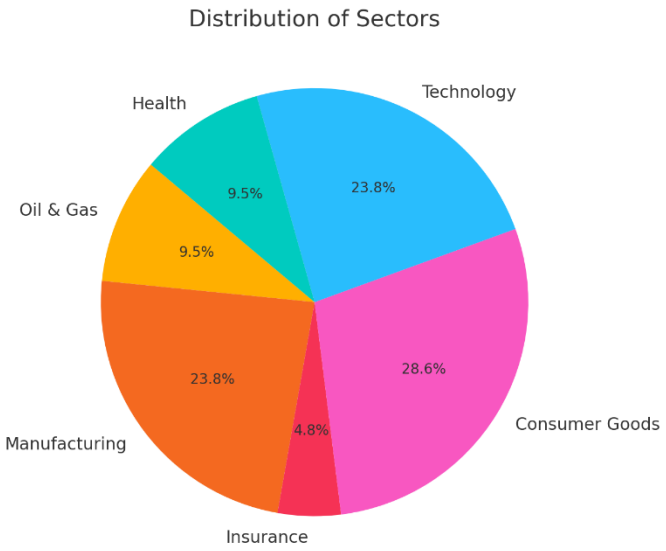
If you are interested in setting up an internal consulting team or looking to improve your existing one, then please reach out to us at **Openside** at contact@openside.group

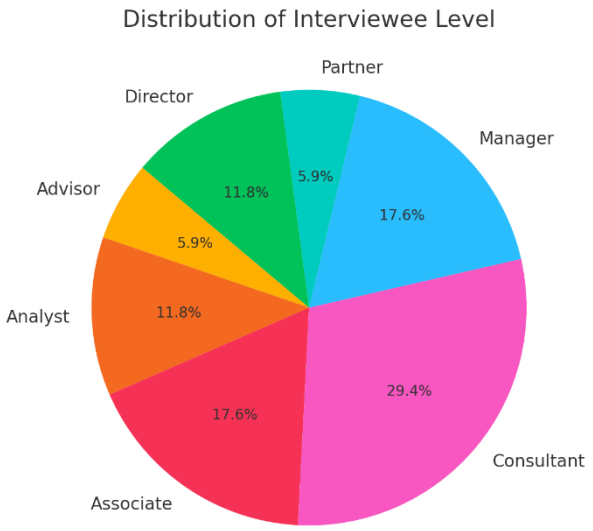
We are here to provide the guidance and support you need to unlock the full potential of your internal consulting capabilities. Together, we can create a robust team that empowers your organisation to thrive in today's dynamic business environment.

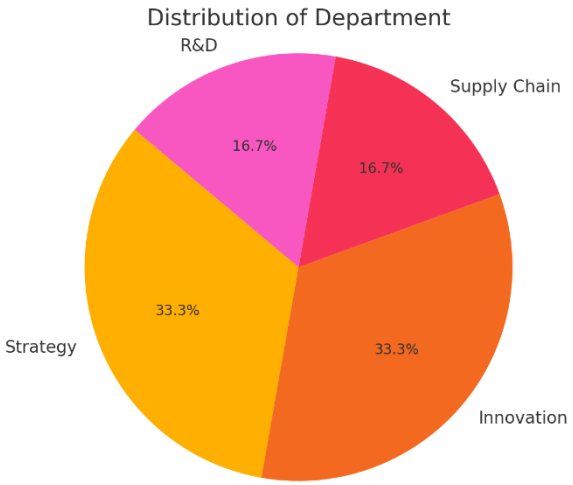
Appreciation

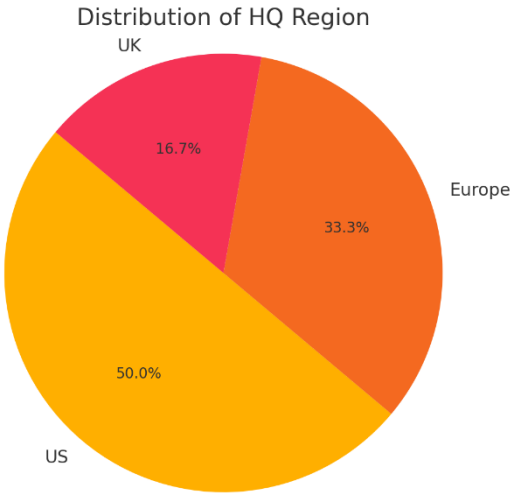
We gratefully acknowledge the contributions of our new and past interviewees and the organisations for their invaluable participation in this research, which underpins the report and its findings.

Graphical Representation of the Research Participants' Demographics









Exhibits

Exhibit A: The Consulting Cycle

Exhibit B: Client-Consultant Relationship Phases for the External Consulting Group

The **Openside** Approach

Openside design and deliver professional development programmes that develop the core behavioural, cognitive, and analytical skills vital for success in internal and external consulting groups.

We believe that our team have trained more management consultants in behavioural and cognitive skills worldwide than any other firm over the last 30 years.

All our programmes combine experiential learning (explanation, modelling, role-playing, and coaching) with best practice and the most recent psychological research, and are delivered by former principals, board executives, and partners of consulting firms.

Business Development Behaviours

- Analytical Thinking
- Building Your Business
- Client Communications
- Complex Problem Solving

Core Professional Services Skills

- Consultative Business Development
- Fundamentals of Consulting
- Managing a Professional Services Firm

Professional Services Leadership

- Negotiation Skills
- Networking
- Partner Behaviours
- Personal Effectiveness
- Presentation Skills
- Storytelling

If you would like to know more about how Openside work with our clients to develop the essential cognitive and behavioural skills required in consulting, we'd be delighted to speak with you.

Find out more:
www.openside.group

Read our latest Points of View:
www.openside.group/points-of-view