

INSIDE OR OUTSIDE: THE PARTNERSHIPS OF INTERNAL AND EXTERNAL CONSULTANTS

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ABSTRACT

Although external and internal consultants have much in common, their different experiences and positioning in relation to the organization result in unique strengths and contrasting perceptions by their clients. Their contributions and value differ according to the needs and viewpoint of the client, and their authority and credibility derive from different sources. The authors address the special challenges of working with large consulting firms, the requirements for productive partnering between external and internal, and offer advice to managers for maximizing the success of consulting projects.

INTRODUCTION

EXTERNAL AND INTERNAL consultants¹ share the characteristics of helping their clients address problems and improve business and organization results; they have a passion for the wisdom and expertise they bring to the organization, and they have the ability to galvanize clients into action. Yet those of us who have spent years in both roles know there are significant differences in perspectives, challenges and requirements. External consultants are often brought in because they bring wisdom, objectivity and expertise to the organization. They are seen as gurus or saviors bringing wise counsel. Internal consultants have expertise, but it is valued differently as an organization insider. In addition, as one former internal consultant suggested, "The difference is a matter of degree, but the biggest difference is in having a boss!"

"External practitioners need to provide a neutral perspective and to share their expertise. They need to know "their stuff" and bring the wider worldview. Internals need to work with budget and political issues, anticipate potential obstacles and remove them, and know how and when to use an external, not just abdicate and turn the project over to the external. Sometimes internals are resentful because they don't get the opportunity to design and deliver. Where the internal adds value is in managing the process." ---Susan Skjei, former internal OD Manager and VP and Chief Learning Officer at StorageTek; currently external

The common skills and expertise of organizational consultants enable them to transition from one role to the other; the differences often can trip them up unexpectedly. This commonality may lead to competition between them when they work in the same organization; yet the differences can form a dynamic and successful partnership for the client. The challenges and requirements for each of these roles are different and often unclear from the other's vantage point. (See *Table I, page 3*) In this article, based on interviews of over seventy-five internal and external consultants, we will explore how organizations can utilize the value each brings and how internal and external consultants can maximize their partnership in working with joint clients.

"I was reminded during my time inside that when you are in the system you are part of the system-for better and for worse. Being inside inhibits your detachment.

"I think the main difference between internal and external consultants is that the internal consultant is more focused on task and the external on process. Neither is "better" than the other: In order to have strategic change you must have both." ---Amanda Trosten-Bloom, Corporation for Positive Change, currently external, formerly internal

“Executives are more likely to hear an idea from an external. They get more buy-in. Senior level executives prefer to hear from outsiders. Internals are employees and often they don’t want to hear from employees. An advantage of internals, however, is that she or he is familiar with the organization. Therefore, follow up is easier and the internal can quickly give advice on a problem.”---Keiko Kobayashi, currently external, formerly internal and manager for companies in Canada and Middle East.

CONTRIBUTION AND VALUE

The external consultant is usually viewed as having higher levels of expertise and experience and credibility especially if he or she is published, credentialed, and well known. This gives the external more influence and buy-in from senior level executives who may prefer to hear from outsiders. Paying for services also implies the output is better or more valued. In addition to these perceived advantages, externals are frequently more up-to-date on the newest business thinking and new ways of working, and they bring the added value of a broader base of experience. With this broader experience, the external can provide benchmarking and best practices as well as insights into potential pitfalls learned from other clients. Externals are valued by clients for their outsider objectivity and ability to give tough feedback or to ask the difficult question.

“Externals are seen to have a value-add of higher levels of expertise than internals, though this is not often the case. When I was internal, the organization could not look past the title or my position in the company to hear my expertise. As an external, my recommendations are listened to.”---Tricia Steege, Transformation Strategies, former internal

Internal consultants, limited by perceptions and position in the organization, add a different value of in-depth knowledge of the business, the organization and the management. This in-depth knowledge makes them particularly valuable on sensitive implementation of strategic change projects or culture transformation initiatives, managing processes or projects, and integrating or leveraging initiatives across the organization. Unfortunately, many organizations do not recognize the value of a strong and competent internal consulting function, so they hire less experienced or less competent junior consultants and place them in uninfluential lower positions in the hierarchy.

Use an Internal or External Consultant?

Because internal and external consultants add different value, clients can assess their needs and make the choice of which to use based on the contributions each makes. The table below suggests some criteria to use in making the best choice based on the recommendations from our interviews.

TABLE 1

Use External Consultants When:	Use Internal Consultants When:
To support development of strategy or facilitate corporate-wide initiatives or key priorities	To support implementation of strategic priority, or intervention as an operational focus
Do not have internal expertise	Have the internal expertise
Deep expertise is needed	Broad generalist knowledge is needed
An outside, neutral perspective is important	Knowledge of the organization and business is critical
New, risky alternatives need validation from an outside expert	Speaking the jargon or the language of the organization and the culture is important
Internal does not have status, power or authority to influence senior management or the culture	A sensitive insider who knows the issues is needed
CEO, President or senior leaders need coach, guide or objective sounding board	Need to sustain a long-term initiative where internal ownership is important
Initiative justifies the expense	Cost is a factor
Project has defined boundaries or limits	Follow-up and quick access is needed

“I worked with one organization that used their internal consultants at the corporate level as consultants to different business units while they saved their use of external consultants for high-level strategic consulting to the corporate leadership and/or for company-wide development of internal change agents. This model was very effective: it utilized the more cost-effective (yet still highly skilled and experienced) senior internal consultants as strategic partners to the leaders of business units and larger plants. The seniors developed the more junior internal consultants who consulted to the plant and at team levels throughout the organization. These consultants were true consultants—they worked with the business units to help improve the effectiveness of those units. The external consultants, who were all highly respected in their fields, were used to stretch the thinking of the senior executives. Externals were not used as “pairs of hands.” ---Marcelline Babicz, President of NewView International. Former manager and internal

Credibility and Authority

Although we have explored the differences in the value and contribution of internal and external consultants, so much of the decision to utilize internals or bring in an outside firm seems to be based on the perception and opinion senior management holds. When the internal consulting function is held in high esteem, and has respect and internal credibility, a decision to use external resources tends to be a more disciplined and rationale choice. Table 2 captures some of the similarities and differences between internal and external consultants.

TABLE 2: COMPARISON OF INTERNAL AND EXTERNAL CONSULTING ROLES

SIMILARITIES	DIFFERENCES	
	INTERNALS	EXTERNALS
Knowledge of human systems, organization and individual behavior.	Accepted as a member of the “group,” congruent with culture	Sees culture and organization with outsider perspective
Understanding the process of change	Has credibility as an insider	Has credibility as an outsider
Desire to be successful and recognized for the value they bring to the client	Knows organization and business intimately	Brings broader experience from other organizations
Commitment to learning	Can build long term relationships; establish rapport more easily	Can confront, give feedback, take risks with senior management more easily
Passion about their work	Coordination and integration of project into ongoing activities	Focused involvement on a project which ends
Ability to influence and lead	Opportunities to influence, gain access, sit at the table as an insider	Once invited in as outsider, broader experience offers credibility, power and influence
Skills to analyze needs and design interventions	Leverages and utilizes informal and formal organization structure	Can avoid or ignore the organization structure, move around organization to achieve results
Credibility or “Authority”	Leads from position and character (trust)	Leads from competence (expertise) and personality
	Knows the cultural norms that should not be violated	Can acceptably challenge or violate the informal rules of the culture
	Knows the history, traditions and where “bones are buried”	Seen as objective and not part of the problem
	Can take an advocacy role	Brings more objectivity, neutrality
	May be expected to be a broad generalist	Often seen a specialist with narrow expertise
	As a “one client” consultant, has a lot more “skin in the game”.	If it doesn’t work out here, can always move on to other clients

In 1967, respected management thinker, William Oncken², proposed the notion that “Authority is whatever you possess at the moment that causes someone else to do what you want him to do at that moment.” Although Oncken’s original context was management, we believe his four components of authority or credibility apply equally to consulting:

- The authority of **competence**, or expertise, prompts others to believe a consultant is knowledgeable and to follow his or her recommendations. Others will give only surface compliance, and “at worst, ignore or

sabotage” a consultant who is not perceived to have competence. Although internal OD practitioners can possess very high levels of competence, externals seem to arrive wearing the mantle of competence. This seems unfair and maddening to the internal and **is** not always reflective of reality for the external.

- The authority of **position** demands compliance and influences others to defer to those with greater power. Internals may and often do possess position power, depending on their organizational level. Externals rarely possess position power unless they arrive on the scene bearing a widely acclaimed reputation.
- The authority of **personality**, or behavior, makes it “easy to do business” with the consultant who establishes rapport with ease. Successful externals tend to be masters at this because they need to sell themselves to pay the bills; internals should be but aren’t always.
- The authority of **character**, or trust, is the consultant’s ‘credit rating’ with other people based on integrity, reliability, honesty, loyalty, sincerity, personal morals and ethics. It is the establishment of respect based on the trail of promises kept or broken, expectations fulfilled or forgotten, statements corroborated or disproven. The authority of character must be developed or “cultivated,” based on one’s track record. Internals tend to establish great authority of character; externals tend to have a tougher time establishing this component of authority. Marketing and selling services evokes suspicions of self-interest over the organization’s interests. The authority of character, or trust, is the most difficult to establish, but once earned is the most powerful. However, if trust is lost it is very difficult to recover.

Applying Oncken’s perspective reinforces the differences in perspective and context for internals and externals. Internals can lead and exercise power through position and character; externals through competence and personality. When consultants work together on joint projects, clarity and understanding of these differences and the requisite skill sets required increases the prospects for success.

PARTNERSHIPS

When the external is hired to work in an organization, misperceptions and confusion of roles can lead to breakdowns in collaboration, learning, and successful results for the organization. When the strengths of the internal consultant are recognized and valued by the external; and the internal is open to the learning and the leverage that can result from close collaboration with the external, a successful partnership can achieve significant results for the client. The experience of “being in it together” occurs when the internal’s inside perspective and knowledge of the organization and the business is paired with the outside perspective and expertise of the external.

The advantage of this holistic view as one consultant described it, “is that the internal knows the culture and where the dots need to be connected while the external brings the credibility of what has worked elsewhere and can be more daring.” Partnership can be a real asset for the internal in the cross-fertilization of approaches and knowledge. Indeed most internals expect to learn and be challenged by externals with specific expertise, fresh thinking, new ideas, and an impartial view. It is beneficial, too, to have someone with whom to bounce ideas around. From the organization’s viewpoint, the internal-external partnership offers opportunity to leverage cost efficiencies, knowledge and credibility.

SUCCESSFUL PARTNERSHIPS

“What made the partnership a success. . . continuity was important to them. Telling the truth, being a woman of my word, honesty, establishing trust, having a realistic picture of the client system, knowing the client and knowing myself well enough to know when to bring in additional expertise. We had the intent of transferring ownership and facilitation of the work into the organization. I’ve never done exactly the same thing with them more than once; it has become theirs-the internals have taken over. We have not been afraid as a team to try things we haven’t done before. Everybody’s grown through our work together. --- Amanda Trosten-Bloom, Corporation for Positive Change, former internal

“We worked hard to ensure a holistic program rather than a parade of external experts with internal people thrown in.” ---Marguerite Foxon, Principal Performance Technologist, Motorola

“Flexibility and honesty between internal and external consultants was critical, the relationship developed during the year of working together, as our business priorities changed, needs changed around pace, content, etc. Trust strengthened the relationship during the time we worked together. We talked a lot both formally with others and informally one on one, this was very important. The consultant was skilled at listening and taking what I was trying to communicate and turning it into a workable solution that kept everything aligned. I really valued their impartiality and ability to challenge our thinking and guide us to a successful completion.” ---Jo-Anne Miller, Learning and Development Manager, Europe, StorageTek - London

Partnership can be even more important when the initiative involves the complexity of other national or ethnic cultures. Drawing on as wide and deep a pool of resources as possible is critical. For change issues and initiatives implemented globally it is imperative to have a consultant with experience in the culture to facilitate buy in by the local region. Either the internal or the external may bring the sensitivity and awareness required to tailor and manage the cultural differences. Other benefits of utilizing a cross-cultural partnership include greater appreciation and understanding of differences in work ethics, cultural norms and language especially jargon and slang.

However, several conditions may undermine the opportunity for partnership:

- Internal consultants, as external Allon Shevat suggests, must recognize that they may not be in position or have enough organizational influence to lead a major change initiative. It's their internal political position that is limiting and not necessarily their capabilities.
- Senior management may not understand the value of the ties internals have within the organization to support a change effort and thus they fail to support a partnership with the external firm they bring in.
- Internals left out of the contracting process may feel resentful, threatened and marginalized resulting in a lack of commitment. This may lead to alignment with the old way and with clients threatened by the impending change and result in potential for undermining and sabotage.
- Externals are often seen as arrogant, exclusive, judgmental; in turn, internals are perceived as ineffective, incompetent, and "poor losers"
- Externals ignore or go around the internal function promoting themselves solely to senior management.
- Weak internal functions that may be incapable of successfully leading change projects.

POOR PARTNERSHIPS

"The primary internal was a very scattered immature person who was dealing with significant challenges in terms of his capacity to deal with the world. The result was an inability to focus, take in or act on the advice of the consultant. The project was held hostage to the client's idiosyncrasies. ---Amanda Trosten-Bloom, Corporation for Positive Change, former internal.

“Five years later it (the change) still doesn't work, despite a lot of tweaking and whacking and much internal communication, none of which works. There was a lot of work for independent externals afterwards, “the (Large Firm) aftermarket,” and it is hard to find anyone who will admit to having been part of the exercise. ---Line Manager at an international financial institution

Working with Large Consulting Firms

Most internal consultants report partnering and working with large consulting firms is difficult. Large firms have their own way of doing things and tend not to be flexible enough to incorporate other approaches and ideas. Some internals complain that the large firms use academic models that are not based in real world business application and that they apply these models without doing up front diagnosis. (The “if the only tool you have is a hammer, every problem is a nail” syndrome.) Most firms approach projects from an American or Anglo model and despite their claims of a global presence, the models are seldom adapted to fit local or region culture. Many internal consultants have experience with large firms where the end objectives were not met, the budget was substantially exceeded and the credibility of the internal consultant undermined or ruined. The arrogance, incompetence and high fees lead many to conclude working with large consulting firms is hardly worth it, despite a few pockets of

excellence based more on individual talents than consulting firm excellence.

“The most challenging and painful experiences I have had were when we were working in partnership with large external consulting groups. I have been through them all. In every case, I have had a negative experience. There never truly is a partnership even though we contacted up front. We did role clarification: “What we need from you is...” and “What do you need from us?” Some were not even willing to do that. They did not have the same accountability as we had. And we even charged internally for our services. They practically had a blank check, but the same standards were not being applied to the large external groups.

We were resource-deficient, and I often encouraged management to hire them because it was too big for us to handle ourselves. They would be given lots of attention by higher management who would just lie down and let them roll over them. In almost every case, were disappointed. Upper management would get disenthralled, and the internal group would have to come in and clean up the mess. I went through four or five of these, always with the same outcome.” ---Eddie Reynolds, consultant, executive and organization development, former internal consultant with high-technology industry³

“I walked into a new division as one of three internals to find that a large external firm had already been involved for over 6 months. The external firm had convinced the organization to pay for two full-time consultants, 5 days per week for the previous six months. The internals in the division were very weak and had gone along with this because the division leadership wanted it. The external firm was supposed to be leading the organization through a process of re-engineering, improving cost effectiveness, and overall organization improvement. Turns out they just steered a bunch of teams to the conclusion that “Asset Teams” were the way to run the business. This consulting firm was the only one that had experience in converting traditional organizations to asset teams in this industry, so they led the conversion. The lead consultant was a marketing guy who had no knowledge or organizational theory or organization behavior. All he knew was his company’s standard methodology for converting to asset teams.

The disaster was that the organization structure was changed, but not much else. After the externals left, we the internals had to try to make it work. The savings touted by the consultants were temporary. The organization learned nothing from this fiasco, because the upper management moved on to other things before the lack of improvement really showed itself. This, in my experience, is one of the biggest reasons disastrous interventions don’t create learning: the negative effects may take a while to show, and by then the perpetrators have left or been promoted. By then, it’s almost impossible to trace the negatives back to the specific intervention.” ---Marcelline Babicz, President of New View International, LLC, former manager and internal consultant.

Requirements for Productive Partnerships

Partnership is the key to success when externals and internals work on joint projects. Internal Susan Curtis, Director, Work Force Development at StorageTek, states, "I believe it is the attitude of the consultant and the internal staff that make the difference. If both approach the work from a limited pie perspective there is a tendency to grab what I can for me. However, if the perspective is “there's plenty for everyone”, the relationship has an opportunity to flourish and grow.

“I’ve worked closely with the VP of HR at the oldest and largest retail products company in Canada. We have an amazingly open, honest partnership. She understands the internal politics and I provide the credibility and processes to work with the CEO to build the leadership team. We have collaborated many times to create customized programs...our relationship is beautiful. We have total trust and respect for one another. We literally didn’t have any conflicts. I supported her, both professionally and as a personal coach; and she would guide me regarding how to best engage with the senior team. I had a 10 year relationship with the CEO, but I still really needed her guidance and support to deal with some of the other members of the leadership team.” ---Mac Carter, Turning Points Inc. external consultant

Based on our own experience and the advice of many consultants, we offer the following advice:

For Externals:

- Remember who your client is
- Recognize the enormous value of the internal as ally rather than neutral observer or, worse, enemy.
- Respect the internal consultant's authority, expertise, and role in the organization.
- Communicate honestly and frequently.
- Be clear about and deliver on your promises
- Value the internal's deep knowledge of the organization
- Become clear about and respect personal boundaries
- Stay apolitical and maintain objectivity
- Maintain the highest of ethical standards
- Leave the organization better off when you depart than when you entered
- Transfer skills/knowledge to internals and the client system
- Bring the organization the benefits of your knowledge of the wider world.

For Internals:

- Go after partnership with externals
- Ensure that management understands the value and expertise of internal consulting
- Be politically neutral or politically savvy.
- Don't be offended, don't whine about not being included, and don't act out resentment in petty ways
- Recognize that the external consultants become stakeholders in the organization and that they are under the gun to perform also
- Learn everything you can from externals.
- Help clients understand that they need to play ball and join in the change process
- Be clear about your role and competencies before confronting the challenges of large-scale change, planned and managed by an external firm.
- Consider using small firms that specialize in partnership with internal consultants
- When managing an external firm, some suggestions are:
 - Define expectations for the external and internal partners in the project
 - Discuss and determine how conflicts and differences will be resolved
 - Manage the scope of the project very carefully
 - Plan frequent communication; build in scheduled checkpoints.

“Establishing the contract took up most of the time. The conditions were trust, open and honest communication (no matter how harmful that communication is--giving the organization the shock they need), buy-in from executive membership and key people around the business who can influence, a clear understanding of expectations both ways (often things go wrong when you only get expectations from the client and not the consultant), limitations of budget, resources, and knowledge, (I expect external experts to challenge me), respect for each other's roles. By far the most productive behaviors in this relationship were challenging the status quo, listening and using real time feedback and questioning.” ---Faran Johnson, VP of OD, First Data Corporation based in London and York, UK)

When internal/external partnerships fail there are missed opportunities for the transfer of skills and knowledge, and a failed implementation can mean disastrous results for the organization and its employees. When externals rather than internals are managing the process, the final insult is a departing consulting firm that leaves the internal function to "clean up the mess". On the other hand, a successful partnership draws on the strengths of both the internal and the external. The organization benefits and the consultants all learn from the partnership.

Advice for Managers

A successful outcome is based in support from senior management and key clients in the organization. Internal and external consultants offer the following advice for managers to contribute to successful initiatives involving internal-external partnerships.

- Ensure and accept the time that is required for the organization and employees to buy in and accept radical change.
- Stay open to the expertise and knowledge of internal consultants regardless of title and position in the hierarchy
- Recognize that just because consultants come from a large well-known firm doesn't ensure their competence in leading the human side of the change process
- Keep your agreements with both the internal and external consultants. When you do not, it not only undermines the credibility of the consultants, but also more importantly may result in a failed project and wasted resources and a damaged reputation for the manager who sponsored the project.
- Get input from internal consultants before hiring externals. There are too many examples of externals not delivering what the company needs
- Communicate expectations and hold consulting firms accountable to partner with the internal function
- Ensure that the external firm is accountable to and managed by an internal person with authority and knowledge of organizational change and the management of consulting contracts
- Always debrief with "lessons learned" at the close of a major project. Involve all the key players, external and internal. Be sure key learning is recorded and shared for future use.

"I had one partnership experience with the best will in the world. We worked together well, did all the right things, but we were sabotaged by the senior executives. They did not follow-through on their promises and did not do what they said they would do. The result for the external was not being asked back again; it was much more dire for the internal whose credibility was damaged and who eventually had to leave the company" ---External consultant on global business issues; worked internally at six multinational organizations

SUMMARY

Successful involvement of consultants in desired organizational change projects is increased by appropriately choosing whether internal or external consulting resources will contribute the most value. Indeed, in many cases, a partnership that leverages the advantages of both internal and external often provides the best value to the organization provided senior management supports and endorses it.

¹ Portions of this paper were previously published by the authors. Scott, Beverly & Hascall, Jane. "Transitions and Partnerships: The Tao of Internal and External Consulting. *OD Practitioner*, vol. 33, no. 3, 2001, pp 23-29.

² Oncken, William, "The Authority to Manage," *Training Bulletin*, v. 1, A.4, 10 July, 1967.

³ Quoted in Scott, Beverly, *Consulting on the Inside, An Internal Consultant's Guide to Living and Working Inside Organizations*, Alexandria, VA: American Society for Training and Development, 2000, p.54