RESEARCH REPORT

INTERNAL CONSULTANTS AS AGENTS OF CHANGE

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September 2011

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ECONOMIC
& SOCIAL
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Executive Summary

Internal management consultancy has traditionally been seen as the 'poor cousin' of its external counterpart, and little is known about how internal consulting units (ICUs) are organised. However, internal consultancy is increasingly important, including as an alternative policy option to external consultancy and for organisational innovation. Typically with only one set of potential clients, ICUs are often vulnerable, but have developed ways of achieving sustainability, vital in the current climate of cost cutting.

This document reports on a research project, funded by the Economic and Social Research Council (ESRC), which focused on the organisation, dynamics and perceived impacts of ICUs. In particular, from almost 100 interviews in 24 organisations (including 4 case studies), the research identified:

1. Internal consultancy as organisationally uncertain and often difficult to sustain as a function. This provides important lessons for surviving and even expanding in difficult circumstances. It is also a warning for those occupations seeking to prosper by diversifying into change agency roles (e.g. Human Resource Management, HRM).

2. Highly diffuse boundaries between consultancy and management. This significantly expands the scope of what is considered management consultancy, but also undermines claims of it being an exclusive occupation/profession.

3. How standardisation can be an essential feature of innovation and that consultant-led change is frequently standardised in its methods and standardising in its effects.

Findings have been presented to various management and academic audiences, including a keynote address to the 2011 Academy of Management's Management Consulting Division conference, and an Institute of Consulting-supported event to 120 consultants and managers at Cass Business School, London. Initial outputs are in the British Journal of Management (2011) and International Studies of Management and Organization (forthcoming). A book is contracted with Cambridge University Press – Management as consultancy: Internal consultants and change - the first ever research-based book on internal consulting.

1. Introduction

1.1 Background

The research project emerged out of two related issues. First, internal management consultancy (IC) was (and remains) an under researched area in comparison to external consultancy. It is unclear why this should be the case although it would seem likely that external management consultancy is generally perceived as the higher status activity as well as being more visible. Second, the limited existing research on internal consultancy has tended to look at the skills and capabilities of the individual consultant as opposed to the broader structures or units in which they operate. Our interest therefore was mostly in the organisation of internal consultancy.

1.2 Aims and objectives

Given the previous neglect of internal consultancy and its importance, the ESRC (the major government body funding social science research in the UK) funded a 3-year (part-time) project. Its main aims were as follows:

1. To identify the different impacts claimed of internal consulting units (ICUs).

2. To examine the varying and changing forms in which the internal consulting model has been adopted in business and public sector organisations.

3. To identify key elements of 'promising practices' in the structure and operations of ICUs.

In addition, consideration would be given to broader issues such as implications of internal consultancy for others seeking a change agency role and the relationship between management consultancy and management.

1.3 Summary of key findings

1. Wide range of outcomes / impacts

Both clients and consultants claimed a wide range of organisational impacts, including cost savings, efficiency outcomes and functional integration. Other expected outcomes were less visible such as knowledge transfer.

2. Variety and dynamism of structural forms and practices

ICUs had a range of structural forms and were engaged in a variety of work profiles and consulting traditions. Their activities and structures were often dynamic, emergent and context (e.g. organisation) dependent, making the identification of fixed types or models of internal consultancy inappropriate.

3. Shared characteristics and experiences within internal consultancy

Despite evidence of variety and dynamism within ICUs, there were shared experiences which point towards certain definitional characteristics of internal consultancy. In particular, the non-hierarchical role as an 'internal outsider' and project-based working were crucial. In addition and contrary to a popular image of IC, relatively little importance or resource was directed towards change implementation.

4. Ongoing challenge of sustaining internal consultancy units

A key dynamic or tension shared by ICUs was an uncertainty over their sustainability in the long term. A great deal of attention and energy was directed at this issue (with varying outcomes) and units were classified as expanding, surviving, enduring and expiring. Key practices to help achieve sustainability include relationship management, diversification or specialisation and securing consultant credibility.

2. The Study

2.1 Defining internal consultancy

The absence of prior studies on the organisation of internal management consultancy meant that the research was exploratory in nature. In addition, a broad, inclusive definition of internal consultancy was adopted to include not only those who were clearly designated as such (e.g. 'change consultant'), but also other specialist staff who provided advice and facilitation as 'internal outsiders' to operational groups, typically on a project basis, and who recognised a core part of their job as involving 'management consultancy'.

2.2 Data collection

Data collection comprised mostly semi-structured interviews with internal consultants in diverse organisations, as well as use of documentary data. In addition to these extended 'framing interviews', four case study organisations were selected (from financial services, health care, telecommunications and national government) for more in-depth research. Here, interviews were also conducted with clients and sponsors of ICUs and a limited amount of observation was carried out.

In total, 93 individuals were interviewed from 24 UK organizations. This is, to our knowledge, one of the largest ever studies of internal consultancy organizations, spanning a range of sectors. However, given that there is no general agreement on what constitutes internal consulting and no known database of ICUs, the representativeness of the sample cannot be established precisely. Participants were selected from sources such as professional publications and associations, websites and personal networks. In particular, the cooperation of the internal consulting expert group of the UK Institute of Consulting provided access to 6 organizations, including 2 of the case studies. Case studies were selected on the basis of research access and sector variety. Guarantees of confidentiality and anonymity were given to all research participants. As a consequence, individual and organisational pseudonyms have been used in outputs and presentations, including this report.

A key focus of interviews was establishing the original reasons for adopting an ICU. This became an important methodological feature in revealing some of the dynamics or narratives of ICUs as opposed to a simple snapshot of their current form and practices. In particular, it revealed a hitherto neglected feature of consultancy more generally – periodic uncertainty or insecurity of existence.

3. Research findings

Overall, the research revealed the organisation and dynamics of internal consulting units for the first time and has drawn attention to dilemmas associated with managing change/innovation through internal consulting. In this section, we consider some of the key features of internal consultancy, including its impact, variety and common characteristics, before considering the challenge of sustainability in more detail.

3.1 Internal Consultancy – perceived impacts

Identifying the impact of management consultancy (and other management activity) objectively is notoriously problematic, if not impossible, despite the claims of many of those involved. Our approach was to focus on the different types of impact perceived as strongly evident by participants, mostly consultants. Even within this constraint, some interesting findings emerged, including some differences between client and consultant perceptions. They also provide a strong indication of the specific type of consulting practices employed in the ICUs.

3.1.1 Impact - Cost savings, process improvement and integration

The majority of ICUs were involved in analysing a variety of client costs and looking to generate clear and identifiable savings, especially, but not exclusively in headcount. In some examples, this meant being given an explicit target to meet in cash savings over a set time period. A local government authority created an ICU for this very purpose, setting out a four-year programme of activities through which the ICU would be responsible for significant cost-reductions across the organisation – with the existence of the ICU being dependent on its ability to generate these savings, as indicated in this comment.

> 'If we don't deliver on the targets that we're set then the team has no future'

In a telecommunications organisation the ICU had a similar task, to support a 40% cost reduction, something that had a substantial impact upon the organisation. In both these cases, identifying and delivering savings acted not simply to reduce costs, but was seen as symbolically significant in indicating a change of organisation culture. As a consequence, the profile of the ICU was enhanced even if changes sometimes led to various forms of resistance.

The impact of ICUs was also observed in relation to process improvements (many of which were closely associated with a search for cost savings). Here, ICUs were often able to use their knowledge of lean methodologies and other process analysis tools to impact upon the

efficiency of different groups and processes within their organisation, the speed of operation for example. In some examples, process improvements were linked to previous incarnations of ICUs as time and motion departments doing 'stopwatch and clipboard' style analysis. Indeed, as we consider below, this could be an important factor in the overall perception of ICUs, although the ability to work with clients to identify how work processes might be improved was still regarded by some clients as a key impact of the ICU.

Cost savings and process improvement impacts were clearly identified by both consultants and clients because they would often be associated with direct measurement. However, our research found that ICUs were also associated with the more intangible outcome of integration. As we will discuss later (see 3.2.3), ICUs often had something of unique role in organisations in that their work required them to operate across functional divisions which, in turn, enabled them to draw together different interest groups to work on discrete projects. Programme management could be part of this, but even where integration was not formalised (meaning it was not necessarily recognised in the formal remit of the ICU), acting as a central point of contact was perceived to be significant by clients. For example, in a healthcare organisation, there had long been a desire to change a specific process which could have a considerable positive impact upon patients. Progress on this had always stalled because it had to take account of a wide range of medical specialisms with specific needs, but the ICU became involved and worked hard to coordinate a range of groups to break down some of what were seen as long-held assumptions in this area so that the changes could be implemented.

In another case, clients perceived the role of the ICU as integrator as being more significant than the consultants did themselves. For the latter, the project and programme management work they did was secondary and not valued highly, but for some key clients and sponsors, coordinating the work of different departments was critical to making progress, as evidenced by this comment from a senior client.

> They played a hugely instrumental role in co-ordinating the technology, the operations, the countries, the underlying project streams falling through and all the rest of it and it has become a reality and is phenomenal, it's so powerful, it's absolutely unbelievable."

All three outcomes of the work of ICUs (cost savings, process improvement and integration) were inevitably perceived slightly differently depending on the context, but it is worth highlighting that when ICs were able to make an impact this was often seen as both broad and substantial. By broad, we mean that impacts were associated with large scale and pan-organisational projects. At the same time, the strength or significance of the impact was perceived to be high, making significant and long lasting changes to organisational activities. Being perceived as effective integrators might not have always been valued so much by the

consultants themselves, but was obviously important for ICUs because it had the potential to remain in the minds of clients after the immediate effects of efficiencies and/or cost savings had disappeared.

3.1.2 Less common outcomes of IC work - Strategic direction, legitimation of knowledge and decisions and knowledge transfer

Some outcomes or impacts did not feature prominently in our findings. This is significant in that their absence indicates some of the perceived and sometimes self-imposed limits of internal consultancy. For example, very few ICs had a direct involvement with senior management teams in setting the strategic direction for their organisations. Indeed, in a number of cases there was evidence that, despite such consulting services being available and aspired to by ICs, calling on the ICU to assist in this process was not even considered, as indicated in this comment from a Deputy CEO in one organisation.

> I just think that maybe we haven't considered that what we needed was their (ICU) input.."

Second, there was little evidence that ICs were used to legitimate decisions that had already been made – something that is often claimed to be the case in the use of external consultants. While such an informal role might well be played down by participants, we will show later that ICUs sometimes actively resisted this role because often, their legitimacy was tied up with maintaining a view that they were objective and independent (see 3.4.3).

Thirdly, and somewhat surprisingly, we found that only a minority of ICUs claimed to be actively engaged in knowledge transfer. While some of this response might relate to a distancing attempt with regard to a possible function as 'mere' trainers, it was also evident in terms of the more strategic role of knowledge brokers – drawing new and important ideas and techniques into the organisation. There was trade off between the need of the ICU to maintain exclusive expertise and its organisational role to disseminate promising practices, even if this threatened its sustainability. Resource constraints were also important such that, in some cases, ICUs in high demand offered clients training instead of a consulting service.

3.1.3 Evaluating impact and outcomes

When discussing perceptions of the impact of IC, it is important to understand some additional issues to emerge from the research.

First, as this comments shows, the need to ensure perceptions of IC were positive was a recurring concern for ICs, often because they struggled to produce metrics which gave a clear indication of this.

> "We have invented several evaluation forms trying to capture both quantitative and qualitative stuff, we really struggle to nail it…"

Even where explicit cost savings and efficiencies were claimed, the specific role of the IC in this process (especially if they had played more of a facilitation role) was important and, at the same time, difficult to establish politically as well as practically – who takes the credit in a joint activity? This is something mirrored in external consultancy, but here, consultants' outsider status makes it easier for clients to control the attribution of credit (or blame).

A common method prescribed for assessing the impact of consultancy is some form of cost-benefit analysis such as return on investment. One of our expectations was that ICUs and/or their clients would sometimes use such approaches and that ICUs would charge for their services as a way of establishing their value, both quantitatively and symbolically (free services may be valued less). However, both cost-benefit analyses and developed mechanisms for charging clients were rare across our sample. Where the latter were used, they appeared to be accepted across the organisation. However, as seen in the following comment, the majority of ICU managers we spoke to believed, after some deliberation and even experimenting, that the complexity of such an approach and the unnecessary 'shifting' of money between budget heads would not be sufficiently beneficial.

> There is all sorts of scope for money zipping all over the place. So it's very unlikely that we can have a sensible mechanism for doing it (charging for services).

Another approach, adopted in a minority of cases, was to produce comparisons based on the likely costs of employing an external consultancy to do similar work. However, this could also be problematic as it assumed that internal and external consultancy were considered equivalent and might portray the former as a 'cheap' alternative. Despite such reticence to use formal charging and evaluation practices, it was the norm amongst ICUs to establish the 'business case' for various projects in advance of undertaking work. Often the key criterion used was to demonstrate links to broader strategic objectives. However, this claim could often be applied to most projects and so many ICs acknowledged that it was not the most rigorous of criteria.

A third area of complexity arises from the ICU typically having little direct control over how far their recommendations or project work are taken forward. This is in keeping with their traditional outsider and non-hierarchical status although in some of the examples cited above concerning cost savings, the ICU effectively acted in a compliance role. However, in the majority of cases, implementation decisions were much more ambiguous - a process of negotiation which might see ICs frustrated as their advice went unheeded. Overall then, being able to demonstrate impact was difficult for ICUs (and their clients) and yet, as we shall see further below (see 3.4.2), of crucial importance.

3.2 Variety and dynamism of structural forms and consulting practices

The second key finding of our research was the variety of structural forms of IC and the range of practices and traditions that was associated with the term (see Appendix 1). At the same time, ICUs shared some similar organisational dynamics. First we shall consider those dimensions of ICUs where variety was most apparent.

3.2.1 Consultancy tradition / specialism

The ICUs drew upon sometimes very different knowledge bases and/or consultancy traditions. Before examining these, it is important to highlight how such traditions are broad categorisations and by no means always mutually exclusive. They can be combined as part of a range of services or even within the same project and consultant. We have divided these areas into those which were most commonly represented in our sample: operational efficiency, organisational development (OD), strategic analysis and project management.

In keeping with the claimed impacts around process improvement and cost savings discussed above, just over half of ICUs drew their identity from an operational efficiency background. This is taken to indicate practices which are focused around improving systems or processes so that information and/or material can be moved through the organisation more efficiently. Inevitably, this can cover a huge range of interventions, although a typical example was for ICUs to be asked to evaluate what type of work was being undertaken by a specific team and how that might be either redistributed across the organisation, improved or outsourced. In other instances, ICUs were able to use efficiency based methodologies to remove 'unnecessary' stages from a process to make it less complex. ICUs drawing on this tradition often required their consultants to have advanced skills in the use of formal systems improvement methodologies (e.g. Lean, Six Sigma etc).

A second tradition which ICUs drew upon was that of organisational development (OD), including the use of psychology-based analytical tools and, broadly speaking, more of an interest or focus on people rather than work processes. Again, this term covered a multitude of different interventions although some examples were specific attempts at conflict resolution or improving team working skills across the organisation, perhaps

through the facilitation of team away days and the like. Indeed, this tradition often explicitly (though not exclusively) drew on the process consultancy approach – the notion of 'helping people to help themselves' rather than providing expert advice.

"We very much use Edgar Schein's work around process consultancy. So we don't go in as experts telling people what to do, we develop a collaborative working relationship with the client, so they have to continue owning the problem and the solution."

Consultants here were required to have developed facilitation skills which on occasion required them to use well defined methodologies, but with outcomes likely to be more diffuse (e.g. team harmony and understanding) and localised. This tradition linked strongly with the outcome of functional integration mentioned earlier although this was not always an explicit aim of consulting projects.

A third consultancy tradition, associated with a minority of cases, was that of strategic analysis and development. Those ICUs that operated in this area were often charged with analysing particular features of the organisation's external environment in order to make recommendations about strategic direction and plans. Alternatively, ICUs could be used to collate internal data. For example, in this comment an ICU manager explained their role in the strategic process.

"Helping with the process of strategy, helping with the information that supports the strategy process, providing creative facilitation, providing various tools to help make decisions, and being able to gather the information that helps make a good decision."

As mentioned previously, it was rare for ICUs to engage directly in the strategic development process although many aspired to this activity, suggesting that internal consultancy as a whole may be perceived as something that operated in a different domain from the explicitly strategic (i.e. formulation or decision making).

Finally, a number of ICUs emerged from a new or newly explicit element of management consultancy - project management. Clearly, the ability to manage programmes and projects is key in the other consulting traditions, but ICUs embedded in this domain offered a set of skills as a service across the organisation – meaning that any project in any area requiring some form of coordination could be taken on by the ICU. Once again, this has clear links to the outcome of integration discussed earlier where an IC with project management

capabilities was able to have an impact through their ability to pull together people and resources in specific programmes, sometimes towards implementation. In some cases, project management was not simply an integration and management service, but a skill to be transferred to clients. Also, project (and programme) management was sometimes structurally distinguished from other consultancy services. Indeed, many consultants would draw sharp distinctions between their expertise and someone who is 'just a project manager'. Key differentiators here were seen to be the greater emphasis on relationship management in consultancy and the greater accountability associated with project management.

3.2.2 Size

As well as variety in the work of ICUs their size differed considerably (see Appendix 1). Staff numbers ranged from a solitary internal consultant, to a unit which included around 200 individuals. There were slightly more examples of smaller units within our sample (less than 10 internal consultants) although there was no obvious link between size and other features such as consulting tradition. Rather, the size of ICUs related to unique organisational characteristics and dynamics.

3.2.3 Structural location

A further key form of variation between ICUs was their structural location – the hierarchical and functional base from which they operated. These were important to ICUs for a number of reasons including the nature of their relationships with clients and how they were perceived politically across the organisation. Some practitioners feel that ICUs should have a free-floating role, not attached to a particular operational division. Our research found that that this was often not feasible, certainly in large organisations where control over budgets and decentralisation of service functions meant that ICs had to belong somewhere. Although typically complex in practice, across the ICUs studied here, we identified three broad types of structural location.

Centralised and 'independent' - part of corporate function or CEO support unit

Centralised can often be a confusing term in modern network-based structures in that some organisations claim a number of centres or none at all. Nevertheless some hierarchy is typically evident and we categorized as centralised and independent those ICUs that had a clear association with the CEO or had a pan-organisational remit. 'Independent' in this sense refers to the ICU being separate to any specific managerial/operation or central service function and so potentially more able to consider a wider range of activities, as indicated in this comment.

Independence was important to these ICUs because they were less constrained and often experienced greater credibility through links to the most senior management. For example, one ICU had a close relationship with the CEO, but operated with a degree of independence from him and reported directly to the board. They argued that this structural location gave them greater flexibility in the type of work they undertook, including with external clients. However and as we shall see (3.4.1), senior sponsorship carried risks as well, in being seen as a compliance unit more than a professional service provider to clients. Clearly however, all forms of internal and external consultancy are political in nature.

Centralised service function - Part of cross-organisational service function (e.g. HR, IT).

A contrasting group of ICUs were centralised in the sense that they were able to operate across the organisation, but they were embedded in what might be termed a service function – i.e. a department that offers specific services to operational or customer facing departments, with HR, IT and legal services being the best examples. Indeed, a sizable number of ICUs in our sample were part of the HR function. Interestingly, there were some examples where being part of a service function did not necessarily match the perceptions that ICs had of themselves, meaning it could come into conflict with their identity as consultants. In one organisation, a series of restructures led to the ICU becoming part of the HR function even though there were some concerns amongst the internal consultants that this was a long way from the process efficiency work the group were doing, something the ICU manager reflected upon in this comment.

"There are certain members of my team who question whether or not
HR is the right place for us to be. I'm comfortable with it on the basis of
better the devil you know, I suppose"

In another case, consultants were located within IT, but worked in the fields of strategy and organisational change in order to enhance the wider credibility of, and demand for, the IT function.

Divisional - Located within operational / customer facing division

A third group of ICUs were based in customer facing or operational divisions. There were fewer of these cases and each was in a large organisation (employing over 20,000 people). For the ICU, this meant that their role was limited to this division (although it is important to note that some of the divisions were larger than the whole organisation in which other ICUs operated). Although there were no clear advantages or disadvantages to being a divisional ICU, there was some evidence to suggest that the greater proximity to customers or service delivery ensured that the IC was engaged in more overtly business critical work. This was true of one divisional ICU which, over time, had developed extensive business knowledge which it was able to build on in working with external clients.

3.2.4 Internal structures / organisation

A final area of variety in the organisation of ICUs was their internal structures, or how they allocated responsibilities internally. We found that in a small minority of cases ICUs organised themselves along functional lines which mapped onto business units in the organisation. As we will discuss later, this was sometimes a feature of systems of work generation and prioritisation in the ICU, but where this mapping was formalised, it was perceived to allow the ICU to gain a much better understanding of client needs. In the remaining cases, ICUs either had no clear internal structure or, more typically would be organised around the skills of consultants (i.e. operational efficiency and/or OD interventions and, in some cases, project and programme management).

There was also a lack of consistency in the number of managerial hierarchies in ICs. Most commonly there were three layers – an overall ICU manager, Principal or Lead Consultants, and Consultants. In other, smaller ICUs, the unit could only justify two layers – IC manager and consultants. Only one of cases had a more extensive internal management hierarchy of 4 levels, which perhaps was a consequence of the large size of the unit overall.

3.2.5 ICU dynamics

The variety evident in ICUs in terms of their structural form and location, size and consultancy tradition meant that no distinct models of internal consultancy emerged through the research. Much as it has been difficult to define management consultancy in general as its form changes over time, one of the central problems with categorising IC is that we found ICUs to be highly dynamic or fluid in terms of their form and practice. This meant that across many areas, ICUs defied clear definition because they had either experienced changes to what they were doing or where they were doing it, or were moving to develop new services. This fluidity obviously differed across ICUs and there were some

that were more stable. However, even in these cases, there remained aspirations or plans to expand or shift into new service areas.

One dimension of change for ICUs was their structural location. Over half of our cases had assumed either a more centralised or decentralised role in the organisation, something which could fundamentally affect their remit. For example, in one case, the ICU had been decentralised into a service function which resulted in a contraction of its own service offering. In a separate case, the ICU was centralised as a result of their senior sponsor moving from IT director to Deputy CEO, something which saw the ICU increase the range of issues it was able to address. In both these cases, the dynamics experienced by ICUs were a reflection of broader and more fluid organisation changes. Indeed, some ICUs were strongly reliant on broader organisational change programmes spanning a number of years.

A related dynamic saw significant increases or decreases to the ICUs' headcount. In some cases, ICUs were pushed to expand so that they could offer more services or take on new specialisms. In others, they were required to downsize as part of wider organisational cost-cutting measures, sometimes by distributing staff into smaller, decentralised units. Consequently, in general, there were ongoing shifts in personnel. In one case, the ICU was regarded as a place where graduate entrants could get a good overview of the business as part of their transition to permanent management posts. This also changed however, as the ICU started to recruit externally for more experienced staff from consulting firms. In another ICU, the manager had had to work very hard to change the view that the ICU was an 'end of career job' to one where individuals in the organisation were looking to use it as a springboard for promotion, something the manager reflected on with some satisfaction.

"I'm happy that the team is less an elderly white male resettlement club, which is what I think you would have seen maybe four-ish years ago and now it's a much more dynamic (and diverse) team.."

A third dynamic area for ICUs was the extent to which they looked to diversify into providing new or broader services to the organisation. In these cases, the ICU had often taken an explicit decision either to recruit individuals with specific skill sets or actively to develop relationships with a wider range of senior managers in order to enhance impact and 'value-add'. This diversification was often essential to issues of sustainability, which we discuss in more detail below (see 3.4.2), and sometimes emerged opportunistically or incrementally such as, in a small number of cases, through beginning to work with external clients or partners of the organisation.

Along with variety emerging out of the dynamic nature of ICUs, we also found that variation was driven by the challenges for ICs to be recognised as the sole or main provider of internal

consultancy services in their organisation. In a majority of cases, there was a recognition that other units (not necessarily closely associated with IC) existed which could, and did, compete to provide similar services (e.g. project management, facilitation). Competition here was not understood simply in terms of clients being able to make direct choices between two units, but also referred to ICUs facing challenges in working with other units to establish complementary services or to make sure there was no duplication, as described in this comment by one ICU manager.

> *"We try to avoid eating each others sandwiches, and actually I think we've done a fairly good job doing so thus far"*

In another example, the ICU worked primarily in the area of facilitation and OD style conflict resolution, but had long harboured a desire to move into more overt project management. Despite this, and the ICU having a strong reputation, a separate project management department had been created in the organisation and it was left to the ICU to try to develop links with this group.

Finally, dynamics emerged out of moves to establish external clients which provided internal credibility as well as either direct or indirect revenue. However, it also placed tensions on commitments to internal clients and sponsors. In one case for example, an internal sponsor banned the move to external clients despite the knowledge transfer benefits claimed by the ICU.

3.3 Shared characteristics and experiences

Despite the variety in the form and practice of ICUs, a series of commonalities were identified. These point towards some of the central features of internal consultancy even if, as mentioned in the previous section, they cannot easily be translated into distinct models or types. Moreover, it is important to stress that the common characteristics do not equate to success factors, but indicate some shared understanding in the current nature of the IC role.

3.3.1 Internal outsider and project/programme managing roles

A key part of the identity of internal consultants was their role as 'internal-outsiders'. This gave ICs a dual status whereby they would be both embedded in the organisation, but also outside of, or detached from, the immediate or daily operational concerns of their clients. Despite this apparent paradox, the dual status was often considered fundamental to the contribution that ICUs could make. In particular, it allowed ICs to emphasise their relative independence or objectivity; to argue that they had a broader view of the organisation

which went beyond immediate departmental concerns; and to avoid potential client concerns that they were simply looking to 'sell' their services. As this quotation from a client of an ICU shows, the 'internal-outsider' role was valued notably when the ICU was seen to operate outside of standard reporting structures, in this case, for legitimation purposes.

> "All I needed is for an independent group to come up with the same thing that I've been telling them over and over. Because that way I know my message will be listened to."

The role of ICUs as programme or project management offices was also closely associated with the 'internal-outsider' role. As identified above (section 3.1.1), ICs often served to integrate departments and functions, with their relative independence allowing them to draw together resources and often disparate interests as well as to assess inter-departmental processes which might otherwise have been neglected.

3.3.2 Work generation - formal and informal mechanisms

With internal consultancy being a discretionary service, all the ICUs shared a concern with work generation. The need to identify and generate business for the ICU often distinguished internal consultants from operational managers, although it is also a characteristic of project working more generally. Actively seeking to create work was also important in that it gave ICs a degree of control over their work and personal development in the organisation. Although in some cases large scale programmes of work were provided or prescribed for the ICU, it was otherwise possible for ICs to take advantage of a variety of opportunities.

Typically, ICUs employed both formal and informal mechanisms to generate work. Formal mechanisms included regular structured meetings with client departments in order better to understand strategic priorities and anticipate where consultancy interventions could be beneficial, as explained by one ICU manager.

> "I had four consultants attached one to each business unit. So they'd go along to the monthly meeting of the unit to sit in, to prick up the ears if there's particular issues and say 'Do you want any help with that?'."

In other cases, ICUs prepared annual work programmes which were signed off by senior sponsors and which could be used to indicate deadlines to clients interested in using the

ICU. Also, project evaluations were used by ICUs as a means of promoting their role more extensively amongst new and existing clients, in much the same way that external consultancies sometime use case studies.

Whilst formal mechanisms could provide some measure of predictability around work generation, informal mechanisms were equally and, at times, more important. More specifically, ICs took advantage of ad-hoc encounters or 'corridor conversations' with managers to identify potential projects, but would also develop and draw upon long-standing relationships to scope out work.

3.3.3 Limited implementation, knowledge transfer and knowledge management systems

A common view amongst the ICUs examined here was a general reluctance or inability to engage in implementation. Despite the traditional assumption that ICUs are in a better position for this given their embeddedness within a specific organisation, many ICs argued that it could actually undermine their ability to offer consulting services across the organisation, as argued by one IC in this comment.

> "Implementation is often long-term, heavily involved, difficult to extract yourself from, so I don't think that's us. I don't think implementation requires consultancy skills'."

While external consultancy is seen to be increasingly involved in change implementation (as a response to criticisms from their clients), for many ICUs it was regarded as problematic.

Another surprising finding was that many ICUs appeared to give a low priority to knowledge transfer in the sense of scanning the external environment and, in particular, the wider dissemination of particular methodologies within the organisation. Often this was seen as being a result of a lack of resources, but it was also rarely seen as part of the ICUs formal role. It was not entirely absent however, in that knowledge was brought in through recruitment especially, and clients were sometimes offered training when the ICU was unable to commit to a specific project. Finally, in stark contrast to the claims made in external consultancy, little apparent use was made of knowledge management systems, including the systematic use of project evaluation or case histories.

3.4 Sustaining internal consultancy

A fourth key finding of the research was that the majority of ICUs faced significant challenges in sustaining their role in the organisation. These concerns partly reflect

uncertainties within management more generally such as those associated with environmental complexity, ambiguity and change. However, consultancy, as a discretionary service, experiences particular uncertainties as well.

The findings of this research would suggest that internal consultants experience a greater level of 'organizational uncertainty' than their external counterparts (see Appendix 1 for more details). In particular we would suggest that internal consultants experience persistent and ongoing concerns about their organisational existence, in part due their dependence upon senior sponsors, but also because IC is less institutionalised or established than external consultancy.

We found that all ICUs reflected on their long and short term existence in one form or another, with over half having an ongoing requirement to justify their role to senior management. In other cases, ICUs had more intermittent or less immediate concerns, but even when ICUs experienced stability, challenges to existence still emerged. Some ICUs in our sample eventually disbanded or were required to find new homes within the organisation. One ICU manager summed up this general uncertainty thus:

> "It is perfectly possible that somebody could turn round in a year or two's time and say "right, we're going to bin internal consultancy"

In terms of understanding how this uncertainty manifested itself and how it was addressed by ICUs, three important issues have been identified: sponsorship, expertise and credibility.

3.4.1 Sponsorship / relationship management

A particularly strong theme to emerge was the extent to which ICUs were reliant upon individual senior management sponsors. As identified above (section 3.2.3), some ICUs reported directly to CEOs, but even more generally they were typically associated with one or a small number of specific individuals. Given the discretionary nature of an IC service, such reliance was often necessary to establish authority and legitimacy. However, it was also recognised as making them precarious and as a possible burden, as shown in this comment.

> "We became almost seen as that CEO's eyes and ears around the organization, which was actually quite detrimental to what we were trying to do"

Over-reliance on a senior sponsor was made most explicit when s/he changed roles or left the organisation. This was experienced by one ICU where, according to the ICU manager, an incoming executive made a quick assessment of the ICU.

> "'He took one look at it (the ICU) and said, "What you're doing, the HR department ought to be doing, and the other bit that you're doing, the managers ought to be able to do for themselves. I don't want an internal consultancy anymore.'"

ICUs often tried to address the issue by extending relationship management practices across the organisation in order to develop some independence from their senior sponsor. For example, and as we have seen in relation to work generation, some ICUs allocated individual consultants to cover client divisions or departments in order to establish closer links and develop a better understanding of client needs. Interestingly, whilst this could provide ICUs with reduced dependence and uncertainty, it also sometimes had the effect of raising expectations unduly as client demands came into conflict with ICU resource constraints.

3.4.2 Value-add and expertise / diversification

Sustaining internal consultancy was also associated with being able to demonstrate how units added-value and possessed a valued expertise within the organisation. In particular, the concern was to show how the ICU was able to establish 'high level' or hard measures of value and to show how their expertise compared favourably with that of both line managers and also external consultants. One ICU manager stressed how important it was for internal consultants to maintain positive perceptions of their role.

> "I said to my people, "reputation, reputation, reputation." If they abolished us tomorrow, what would change? So reputation is all, really"

Where ICUs were unable to develop this type of reputation, their sustainability was brought into question because they would experience difficulty in being considered for high value work. This was made apparent to one ICU manager who was confronted with his boss's perceptions of his unit as explained in this comment.

> "I tell the anecdote of my own boss who said, "Oh (Manager X) wants this piece of work doing. It's certainly not a McKinsey's job, we might call on the externals on our (preferred supplier) framework, the second league ... or we could even let the internals have a go at it"

Moreover, when ICUs were too closely associated with low-level or tactical rather than strategic work they could struggle to sustain their role, as was the case of one ICU that was eventually disbanded. Here the ICU manager claimed that this was due to the team's main focus:

> "Going out and just re-validating how many posts you should have in a particular area to do a certain amount of work which in retrospect I don't think was the best choice of their time"

ICUs were often very aware of these threats to their existence, but in addressing them, they could face additional dilemmas. For example, in order to establish expertise, ICUs could look to specialise in one specific area, or align themselves with a branded or generic methodology (e.g. Six Sigma) which was unique in the organisation. Whilst this had potential benefits in reinforcing the ICUs core competencies, the risk was that the methodology or specialism would no longer be considered relevant. In this case, ICUs could face the possibility of being associated with an outdated method of operating.

An alternative approach to adding value was diversification. Either by design, client request or simple chance, a number of ICUs looked to extend their repertoire into areas such as strategic advice, change facilitation and programme management. Once again, this was not a risk-free activity because ICUs might not be able to secure the credibility to offer services in new areas and might find themselves in competition with existing internal and external specialists.

In a more limited number of cases, ICUs diversified by working with external clients, arguing that it had potential not just to enhance their overall credibility, but could also allow them to demonstrate their added-value by engaging in income generating activities. Nevertheless, and as noted earlier, concerns remained within these ICUs that they could lose the fundamental rationale for their role as internal service providers and become overly focused on income generation.

3.4.3 Consultancy identity and credibility

Although the research clearly identified concerns with sustainability, there was also evidence that not all activity was aimed at reducing organisational uncertainty and keeping clients happy, in the short term at least. In particular, some ICUs did regularly turn down work, or avoid certain types of projects, even if that could undermine relationships with particular clients. In these instances, it was clear that ICUs were attempting to retain an

element of control over their expert or professional identity and were keen to maintain their (perceived) independence and/or credibility. The rejection of implementation by ICUs described above (section 3.3.3) was not simply a resource issue. Implementation was felt by some to be outside the remit of consultancy. Another example, as demonstrated by one ICU manager, was to avoid work where the ICU would be viewed simply as additional resource – a 'body shop' - and have no input into the project aims and objectives:

> "We say "no" to some projects. Some people just want an extra pair of hands and I say never appear willing to be the minute taker, the admin, I do not want the group doing that....because I also think it does our reputation no good at all if we're seen as that extra pair of hands"

Clearly, turning down work was potentially a high risk strategy, even if in the long term it might enhance credibility in the eyes of some clients. Risks were partly mitigated through developing formal systems of work prioritisation. These would allow ICUs to explain to clients limits on ICU resources and the formal criteria against which projects would be allocated and prioritised. As we have already noted, ICUs could also offer alternatives to a full service such as training in change or project methodologies or overseeing projects. However, organisational politics often ensured that the most senior clients rarely had work rejected, notionally on the basis that this was strategic work, by definition, as it had originated from someone in a strategic role.

3.5 Addressing Uncertainty and Sustainability

We can draw together the issues of organisational uncertainty discussed above in terms of three questions: who you know, what you know and what you are willing to do? This also points to the mechanisms used for reducing uncertainties which, as we have seen, sometimes resulted in further dilemmas or risks (see Table 1).

Table 1. Key practices to reduce organisational uncertainty

Organisational Uncertainty	Reduction	Dilemma/risk
1. Who you know	Relationship management	Raised client expectations
2. What you know	Diversification (or specialisation)	Core business & can't compete
3. What you are willing to do	Work prioritization	Roles of legitimation & provider of extra staff

Developing this further, we propose the following typology as a way of understanding the manner in which ICUs sought to address concerns over sustainability (see Table 2). This locates them along the two dimensions identified above as central concerns for ICs:

(1) Increasing and decreasing credibility or status

(2) Diversification or specialisation.

Increasing credibility is defined as an internal consultancy's ability to demonstrate increasing influence in the organisation by such things as: enhanced links to senior management; positive perceptions of the group's expertise; and their status in comparison to alternative providers. Decreasing credibility is indicated by: the loss of senior management sponsorship; a perceived lack of expertise within the group; client preference for alternative (or external) providers; and even the disbanding of the ICU.

Diversification is defined as an internal consultancy expanding the range of activities in which it engages. This might include involvement in more strategic work (such as high-profile change programmes or business-critical issues) or working with a more extensive range of 'clients', including those external to the organisation. Specialisation is defined as the internal consultancy becoming predominantly associated with one specific type of work and only delivering services related to this specialism.

This attempt to categorise ICUs explicitly recognises their dynamic forms and both the potential and the desire for groups to shift quadrants.

Table 2 – ICU Sustainability

	Increasing Credibility	Decreasing Credibility
Diversification	EXPANDING ICUS here have high status in the organisation often on the basis of previous work undertaken. Consequently the unit is invited to become involved in a wide range of additional activities.	SURVIVING The work of ICUs is perceived to be of low value. They diversify in an attempt to increase their status. Diversification is a survival strategy in order to justify their existence.
Specialisation	ENDURING ICUs are involved in ongoing specialist activity that is key to the organisation. They are seen to have a valuable or enduring expertise, or are involved in major change programs. Unlikely to have any need or desire to diversify.	EXPIRING This group of ICUs have low status as they are perceived as specialists in an outmoded or unimportant activity. Unable to demonstrate ongoing value and have little or no capacity to extend work into other areas.

4. Concluding thoughts and wider implications

In this final section, we briefly return to our project aims and how they have been addressed before raising some broader implications of the research for management, consultancy generally and organisational change. These are merely introduced here, but further information and contact details are provided below.

As we outlined in 1.2, the research aimed to outline the different impacts of ICUs and their varying and changing forms and to identify any 'promising practices' in the structure and operations of ICUs. These aims have been addressed, revealing variety as a strong theme in terms of ICU impacts and forms, but also some common - defining – characteristics.

Aside from some, perhaps, surprising findings concerning the low profile attached by ICUs to change implementation and knowledge transfer and the high importance clients attached to ICs as integrators, the dynamic nature of ICUs was a key finding. Given the otherwise largely varied nature of ICUs, it was here where promising practices were most evident, although obviously not in terms of universal – 'one best way' - solutions. In particular, we saw how sustainability of ICUs was achieved in various ways such as through: relationship management with clients (including externally) and sponsors; the parallel activity of product/service diversification (or specialisation); as well as various ways in which credibility as experts and providers of value were maintained. Each activity carried risks or dilemmas however, which means that sustainability for a discretionary service such as consultancy can never be assured. We now explore this issue further by considering the future for internal consultancy more generally.

4.1 A future for IC?

We have seen from our research findings that internal consultancy is seen to play an important role in delivering and facilitating change projects and programmes in organisations across a range of sectors. However, these findings also suggest that it does so without there being an established model or even understanding of internal consultancy. Rather, it appears to be quite context-specific and face sometimes considerable organisational uncertainty. As a result, we might speculate that there will continue to be a role for 'internal outsiders', change specialists, integrators and groups capable of operating across functional divisions, not least given the persistence of hierarchical/bureaucratic organisations. However, the dynamic and fragile nature of these roles prevents internal consultancy from developing a coherent form and identity.

Given that most understandings of internal consultancy derive from a comparison with its more prominent external 'cousins', we have mostly sought an alternative view in the hope of developing insight as well as a place for IC in its own terms. However, with respect to its organisational uncertainty, some reference to external consultancy is needed. In particular,

it is commonly held that, for many clients, internals are valued less than externals in most contexts. This was also evident from our research organisations, although not universally. But this view of internals and externals as competitors and potential substitutes is misleading in the sense that any downturn in external consulting business or decline in status does not necessarily improve the prospects for internals. In short, internal consultancy is not immune from changes to the image of consultants more generally. It may both benefit and suffer by association. At the same time, there may be scope for the emergence of a change management specialism that simply eschews the title of 'consultant', perhaps drawing more on the discourses of either project management or coaching. Indeed, we saw some ICUs where use of the word 'consultant' was either avoided or used selectively and tactically.

4.2 Increasingly diffuse boundaries between consultancy and management

The notion of consultancy as a distinct occupation has been debated for decades, but as consulting labels, practices and relationships come to be adopted by others in management and the professions (e.g. accounting) and as some consultants adopt practices long associated with line management (e.g. change implementation), the argument may be coming to an end. Much as the term 'management' has successfully come to colonise many realms, including everyday life, and yet lost its specialness as a result, perhaps exclusiveness has been the price of success for consultancy.

4.3 Consultant-led innovation as standardised and standardising

A further finding of our research relates to the methods and outcomes of internal consultancy. In particular, contrary to the popular view of innovation (and consultancy) as being concerned with novelty/difference and as impeded by bureaucracy, the content, methods and outcomes of internal consultancy were found to be highly standardised and standardising. This finding is confirmed by parallel research on internal consulting in Australia and adds to the view that organisations exploit as well as explore new knowledge – 'organisational ambidexterity'.

4.4 Lessons for HRM and other occupations who engage in organisational change agency

The experience, noted earlier, of ICUs as frequently transitory and experiencing a fragile status/identity combined with client demands for demonstrable 'added value' replay, rather than resolve, the problems experienced by the Human Resource Management profession which has sought security and success through an increased strategic change role.

Further information

Further details of the research project can be found in the following and directly from the authors: http://www.esrc.ac.uk/my-esrc/grants/RES-000-22-1980-A/read

Publications

Sturdy, A. J. (2011) 'Consultancy's consequences? A critical assessment of management consultancy's impact on management', British Journal of Management, 22, 3, 517-530.

Sturdy, A. J., Wylie, N. and Wright, C (forthcoming) 'Management consultancy and organizational uncertainty: The case of internal consultancy', International Studies of Management and Organization, accepted April, 2011.

Working papers

Wylie, N., Sturdy, A. J. and Wright, C 'HR and change agency – Lessons from internal consultancy'

Wright, C., Sturdy, A. J. and Wylie, N. 'Management innovation as standardization and control - the role of internal consultants'

Planned publications

Sturdy, A. J., Wylie, N. and Wright, C. 'Management as consultancy: Internal consultants and change' (research monograph, Cambridge University Press)

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Appendix 1 - Internal consultancy units – Summary findings

Sector / Industry	Key features of ICU				Uncertainty experienced by ICU			ICU sustainability
	Structural location	Impacts	Consultancy tradition	Size (FTE)	Reliance on senior sponsor	Demonstrating value-add / expertise	Maintaining consultant identity / credibility	
1. Central government service	Centralised and independent	Cost savings / process improvement.	Operational efficiency	10-20	No	Yes	No	Surviving
2. Central government service	Centralised and independent	Cost savings / process improvement.	Operational efficiency / OD	20-50	No	No	No	Expanding
3. Central government service	Centralised service function (HR)	Process improvement	Operational efficiency / OD	20-50	No	Yes	No	Surviving
4. Central Government Dept.	Centralised and independent	Cost savings / process improvement.	Operational efficiency	20-50	No	Yes	Yes	Expiring
5. Government Agency	Centralised service function (Audit)	Cost savings / process improvement.	Operational efficiency	10-20	Yes	Yes	Yes	Expiring
6. Government Agency	Centralised and independent	Process improvement / integration	Operational efficiency	>10	Yes	Yes	Yes	Expanding
7. Government Agency	Divisional	Process improvement / integration	Operational efficiency / OD	>10	Yes	No	Yes	Surviving
8. Government Agency	Centralised service function (HR/finance).	Process improvement	Operational efficiency / OD	20-50	Yes	Yes	No	Expanding
9. Business Services (multinational)	Centralised service function (HR)	Process improvement	OD	20-50	No	Yes	Yes	Enduring

Sector / Industry	Key features of ICU				Uncertainty experienced by ICU			ICU sustainability
	Structural location	Impacts	Consultancy tradition	Size (FTE)	Reliance on senior sponsor	Demonstrating value-add / expertise	Maintaining consultant identity / credibility	
10. Financial Services (multinational)	Divisional	Cost savings / process improvement/ integration	Operational efficiency	10-20	Yes	Yes	Yes	Expanding
11. Financial services (multinational)	Centralised service function (HR)	Process improvement/ integration / strategy	OD	50+	No	Yes	Yes	Enduring
12. Financial services (multinational)	Centralised service function (IT)	Cost savings / integration	Operational efficiency	>10	Yes	No	Yes	Enduring
13. Financial Services (UK)	Centralised and independent	Cost savings / integration	Operational efficiency	20-50	Yes	Yes	Yes	Expiring
14. Local healthcare provider	Centralised service function (HR)	Integration	OD	>10	Yes	Yes	No	Enduring
15. Local healthcare provider	Centralised and independent	Integration	OD	>10	Yes	No	Yes	Expanding
16. National healthcare agency	Centralised and independent	Integration	Operational efficiency / OD	50+	No	Yes	No	Surviving
17. National healthcare provider	Centralised service function (IT).	Strategic direction	Operational efficiency / Strategy	>10	Yes	Yes	No	Surviving
18. Local Government	Centralised and independent	Cost savings / strategic direction	Operational efficiency / Strategy	10-20	Yes	Yes	No	Enduring
19. Local Government	Centralised and independent .	Cost savings / integration	Operational efficiency	10-20	Yes	Yes	No	Expanding
20. Local Government	Divisional	Cost savings / process imp.	Operational efficiency	>10	No	Yes	Yes	Surviving

Sector / Industry	Key features of ICU				Uncertainty experienced by ICU			ICU sustainability
	Structural location	Impacts	Consultancy tradition	Size (FTE)	Reliance on senior sponsor	Demonstrating value-add / expertise	Maintaining consultant identity / credibility	
21. Local Government	Centralised service function (HR)	Cost savings / process improvement	Operational efficiency	>10	Yes	No	No	Enduring
22. Media and Arts	Centralised service function (HR)	Integration	OD	>10	No	Yes	No	Surviving
23. Communications	Divisional	Cost savings / process improvement/ integration	Operational efficiency / OD / Strategy	50+	No	Yes	Yes	Enduring
24. Transport	Centralised service function (Legal)	Strategic direction	Strategy	20-50	Yes	No	Yes	Expiring