

## Why Fortune 500 Companies Should Hire Both External and Internal Consultants

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Many companies debate whether they should hire external management consultants or create an internal consulting group. Liberty Mutual, a Fortune 100 company operating since 1912, believes in leveraging both. In addition to regularly partnering with external consulting firms like McKinsey and Deloitte, Liberty Mutual invests in its own internal management consulting group, Corporate Strategy and Research.

Industry giants often benefit from external consulting firms' specialized expertise on niche focuses and large-scale resources. Liberty Mutual, for example, historically hires external firms to provide targeted consulting services such as post-merger integration, global operating model strategy & implementation, executive leadership coaching, and financial due diligence work. Beyond work that requires deep specialization or necessitates sizeable teams, external firms tend to be best suited for work that demands external credibility, needs unbiased viewpoints, or can be political in nature. Often, they can provide an 'outsider' view with new decision-making strategies or effectively navigate company politics when sourcing recommendations.

Yet, while offering several merits, external consulting firms often should not be the sole strategic advisors for a company. Sometimes, a company requires insights tailored towards its organizational strategy and cultural nuances. Similarly, a company might require a critically quick decision on a certain project, and navigating an RFP process with multiple external firms and subsequently onboarding the selected firm could be time-consuming. For these reasons, companies can invest in an internal consulting group alongside hiring external firms. A 2015 Harvard Business Review article discusses that hiring internal consulting groups can bring unique benefits, offering "a company-wide perspective, continuity into implementation, attraction of top talent to the company, higher levels of confidentiality, and greater cost-effectiveness<sup>1</sup>."

For decades, Liberty Mutual has invested in Corporate Strategy and Research (CS&R), an internal consulting group operating under the company's CEO and C-suite. CS&R's recent portfolio of project work includes working with Liberty Mutual's C-suite to create an enterprise strategy for ESG, taking point in the company's acquisition of a \$3 billion specialty insurer, and building a new mobility vertical that led to a major partnership with Uber. While Liberty consistently hires external firms for specific work, the company recognizes the value of an internal management consulting group. CS&R drives Liberty Mutual's strategic priorities across multiple business units year-round.



Liberty Mutual's Senior Vice President of Legal Strategic Services, Kiran Mallavarapu, is one of the company's many business leaders who have engaged both external firms and internal groups depending on project need. According to Mallavarapu, "When I hire external firms, I hire them for projects requiring targeted insights from industry and in-depth knowledge on key issues. When I hire CS&R, I hope to draw from their wealth of Liberty-specific project work, which allows them to rapidly create tailored insights that identify the project's risks and opportunities."

While targeting separate project work may seem a competitive process, CS&R head and Senior Vice President, Alfredo Sciascia, has had positive experiences. As the former head of AMEX's Strategic Planning Group and a former Kearney consultant himself, he recommends companies encourage collaborative partnership between external firms and internal consulting groups, asserting that "the best companies have internal consulting groups that coordinate well with external firms, creating mutually beneficial relationships where key learnings are shared. Both are motivated to ensure the best-suited consultancy for each project is hired." Steve Lee, CS&R's Assistant Vice President and a former Deloitte and PwC consultant, echoes the importance of such collaboration. He believes that "while CS&R naturally supports the C-suite in driving enterprise-wide change, no internal consulting group should fulfill all consulting work in a company."

Bringing together internal consulting groups and external firms to leverage their distinct strengths brings significant advantages towards strategic transformation. Despite this, many Fortune 500 companies still rely solely on external firms or depend exclusively on internal consulting groups. In today's data-driven world, they should reconsider these approaches. External firms will always remain vital for their industry knowledge, third-party views, and large-scale resources. To companies with an impetus for change, internal consulting groups are similarly vital; as technology advances, strategy will frequently need to be refined.

The most proactive companies are aware that the business landscape is continually shifting, and they respond by engaging multiple approaches to strategic transformation. They know which project work to assign to each strategic consultancy, and they facilitate their mutual collaboration. Although this may be a delicate balancing act, companies mastering this art are poised well in the market. They are the companies that create meaningful change, tending to be more nimble, more innovative, and crucially, more responsive to consumer needs.

- 1) <https://hbr.org/2015/09/why-and-how-to-build-an-in-house-consulting-team>

