W07: Running Your Internal OD Consulting Business like an External

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Introduction and Context

This summary is about our experience as an internal OD group within the Naval Air Systems Command (NAVAIR). This organization is part of the Department of Navy and is responsible for acquiring and maintaining Navy and Marine aircraft and associated systems. The people at NAVAIR do a variety of highly technical work, including research, product development, contractor oversight, product testing, troubleshooting of deployed products, pilot training, and operations of land, air, and sea based test facilities. The organization today is the result of a series of mergers of various Navy bases across the country and currently consists of about 30,000 people at eight sites in the United States and two sites overseas. The employees come from a wide range of skills and professions including engineers, scientists, technicians, military officers, enlisted personnel, support staff and contractors. The internal OD group serves all of these employees within the organization as they work on their product and management teams. NAVAIR is a government bureaucracy steeped in the Navy tradition combined with a good dose of the entrepreneurial scientific research attitudes.

In this session we will share our successes and challenges with adopting some of the practices of external consultants in running our internal OD consulting group.

Establishing Internal OD as a Business

When we established our internal OD group, known as the People, Process, and Product Resource (P3R), we chose to operate it like an internal business. In a way, we are like a company within a company. This means we consider our internal clients paying customers that choose to buy our services and pay for them out of their group's budget. We package our products and services to meet the client needs and negotiate contracts with each client. We establish and monitor standards of customer value and quality and manage income and expenses to remain viable. Historically OD-type groups within NAVAIR have come and gone with budget ups and downs. To mitigate the risk of being eliminated, we ensure we do not become a financial or personnel burden to any portion of the organization.

In our eight year journey, we have discovered that operating this way within our bureaucratic, civil service organization requires shifts in thinking at the individual and group level. Business thinking requires a shift from thinking of our group as a staff function to assuring we have a viable product and service that is driven by client needs. We shy away from mandates and large organizational initiatives that direct or force groups to use our services. We assume a market economy that translates to "if customers are making the choice to hire us" we have value in the market. Our value proposition must be compelling for our sponsors as well as our clients.

Other shifts in thinking are required in the way we market, manage client relationships, and perform financial management. Our consultants must actively market and find work for the group. We often get referred by word of mouth so maintaining client relationships is critical. Since our organization is a Federal government entity, we cannot be a true business and make a profit so we must translate business processes into our environment. Next we share some of the questions we grapple with and the approaches we have taken.

Market Niche

To operate like a business means establishing a position in the market place, becoming known for something unique, and understanding what work you pursue and what work you turn away. For us, the total "market" is contained within our larger organization. The term "organization development" (OD) is not well known or used within our organization, so we do not rely on that term to establish what services and value we provide. Our group name, P3R, distinguishes us from other existing organizational entities and separates us from a hierarchical staff position. We used this name to identify ourselves and establish a brand. At least once a year we discuss and establish our core niche. This discussion includes decisions on what products to divest, develop, and test market. In this way we ensure we are not obsolete and can anticipate our clients future needs. By maintaining a new product pipeline matched to the market, we eliminate the need for management to give us direction.

Since our market is limited to individuals and groups within our larger organization, it is vital that we understand how we are perceived by our clients. We pay attention to what we are known for by asking our clients on an annual basis what value we have added and how they would describe our group. This clues us into what our customers are saying about us.

Though our market is limited, choices are still available. We discuss the level of clients, for example, will our niche be coaching top executives as well as front line product teams? The level of client becomes part of our niche decision. These discussions are driven by both the size of the market and our ability to provide a useful service.

Creating a market niche requires differentiating our services from those of other functions in the organization that some people may view as the same or similar. We work to actively partner with other groups, such as training and Lean-Six Sigma Black Belts. We do not duplicate but instead augment other services. We want to be able to explain our unique capability and at the same time continually adapt. One strategy we found successful is to view these groups as clients. In this way, we enhance their capabilities rather than compete with them.

Financial Management

After we identify and package our products and services, we establish a fee structure. The fee structure includes the cost of delivery plus a percentage of coordination, marketing, learning, continual improvement, and new product development. We establish the rates at the beginning of our customer's budget cycle. We provide these rates to them for incorporation into their budget planning. Estimating the demand for our services (i.e. sales projections) based on past trends as well as current customer conversations are an important part of managing finances as a business. We have not had to establish a formal internal cost center, although this would have been a benefit to us at times.

The first year we existed, we negotiated start-up funding from our primary sponsor. We also laid out a plan of how long it would take for the group to become self-sustaining. We monitored these metrics on a quarterly basis starting in our second year of operation. We budget and track income and expense for our group on a monthly basis. We discuss when we need to actively market for new work to meet our expenses, as well as when we need to spend income received in order to break even at the end of the year. This type of financial management and tracking is done without any formal organizational requirement to do so. We find it helpful in re-enforcing the business mindset for team members.

Marketing

For us, effective marketing is a balance between understanding the client's issues and selling our expertise. We have chosen a relationship based approach to marketing. Based on the chosen market niche, we target the individuals and roles for advertising and marketing, discuss which one of us has an established relationship with each person, and develop plans for contact and marketing. We tend to use all types of targets of opportunity for making contact, for example chance meetings in hallways and airports. We have developed simple marketing materials that we use when the timing is appropriate. These include one page descriptions of services and benefits. We are careful not to over promote our capabilities or client benefits.

Sales

We have a relatively standard process for negotiating and documenting client proposals. The proposals are short and succinct and establish expectations for both parties. Even if the client for some reason does not have to pay for our services, we document the value he or she received in terms of dollars. This gives us a way of gauging if we were value added with clients that both pay and are subsidized by other sources of funding.

Because of our business mindset, each team member understands the responsibility for marketing and representing the team's capabilities to clients. We have an operating value that anyone can accept work for the group but before turning down work, all team members should be consulted. This ensures that the collective group's skills and availability are considered before turning away work.

Customer Relationship Management

Like a good external consultant, we want to maintain contact with former and potential clients. We divide up client points of contact and do follow-up check-ins with them. We want to understand the client's current situation and where we might be helpful now or in the future. If appropriate we talk about new product developments. We also seek to understand if our previous efforts with this client proved useful after some period of time. We want to gauge whether this client would recommend or even remember the services we provided.

Partnering

A strong and flexible partner network enables us to maintain credibility and good will. By partnering with other internal groups or external consultants we can shore up knowledge and skill gaps of our own. This provides the client with an understanding that we are working for their best interests, not just our own group. In addition, we are value-added to the clients as we can connect them easily to a range of services through our partner network that might be difficult for them to investigate and find. By engaging other groups within the organization such as training that might see an internal OD group as a competitor; we minimize budget food fights and negative politics.

Recruiting, Hiring, and Retention

Like an external consultant, we want to ensure the internal consultants are capable, treat the clients respectfully, and at the same time are not fearful of digging into the complex and sensitive issues. Over the years, we have made a choice to operate as a self-managed and self-led team with a flat structure. Within this model, we have learned that not every person who aspires to do this work thrives in this type of team model. We have migrated to processes that enable potential team

members to try out the work and receive feedback from each of us before making a commitment to join the team. We also make it easy to opt out of the team if they find the work and environment not what they expected. Early on we had people assigned to the group without our input so we worked to establish autonomy in team member selection and review.

Maintaining Autonomy within the Hierarchy and Sponsorship

If you choose to run like a business, there are some important considerations for an internal OD group. How can you establish the level of autonomy necessary to establish fees, request customers to pay for services, and accept and turn away work? We found that we needed to establish some level of credibility before we could establish autonomy. We also had a sponsor who was willing to provide some "top-cover" which allowed us to get organized and define our market niche before we were asked to justify our existence. This sponsor has since retired, and we are still a viable internal OD group. We find the argument that customers are willing to pay for our services, as the most compelling argument for our continued existence. As you can imagine, if you accept work that you cannot perform as internal OD, then that customer will not be willing to stand-up and say they would be willing to pay for the service in the future. Likewise your products and services must stay current and unique enough for you to be viewed as a preferred provider.

How can you continue to be sponsored in the organization? In our organization, the hierarchical chain of command is dominant and not many groups operate with an entrepreneurial business mindset. Most of the groups in the organization are established through regulation and funding appropriation. We needed to become politically adept at operating differently from the majority of the organization, and yet still be seen as legitimate and useful. This means we cannot be too settled in where we are located in the organization's structure. Being ready to move to another part of the organization if necessary is a critical part of being adaptable. We also actively discuss the current organizational sponsor and potential future sponsors. By running scenarios for planned retirements, rotations, and promotions of sponsors and strategizing on establishment of working relationships with potential future sponsors of our internal OD function is also a necessary activity.

Conclusion

Over the past eight years, we have experimented with running our internal OD consulting practice like business. We have taken some of the advantages often attributed to external consultants and applied them to our team. We believe we have remained viable in our organization by taking this approach. In many ways, this approach has enabled us to apply many of the practices that we advocate to our clients, such as strategic customer value analysis, engaging everyone in the work of team leadership, and establishing a shared vision and operating philosophy. While this approach may not work in every organization, we hope you can learn something from our experience.