

An essential cog in the business wheel

Interims haven't escaped the ravages of downturn but it seems that recession-hit businesses are now turning to interims for help. **Scott Beagrie** investigates

While having to remain stoic in its mission to

support UK industry, the interim management sector has had to deal with its own peaks and troughs during the recession and recovery period. After a marked drop-off in demand during the recession, interim providers had to respond to a sharp upturn last autumn, with many of the sector's leading turnaround performers called upon to sort out businesses in distress and projects in disarray following the effects of the downturn.

Andrew McIntee, director of financial services at Interim Partners, says the company has experienced a four-fold increase in business this year compared to 2009. Much of this is coming from financial services that was among the first to recover and which has also had to respond to increasing regulatory pressure from the Financial Services Authority. "There's been a significant uptake in demand for interim professionals with experience in risk compliance and financial controls," explains McIntee. "In addition, we're seeing significant increase in requirements for project and programme management expertise and interims who are capable of delivering business change initiatives."



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The story couldn't be more different in the public sector where the Comprehensive Spending Review has placed so much activity on hold and where interim providers report a huge slump in demand. "It's an almost non-existent market now," says Patrique Habboo, a partner at provider Boyden Interim Management. "It may come back after the review but I don't think it'll be in the shape it was over the last four or five years."

Latest findings from an Ipsos MORI survey conducted for the Interim Management Association (IMA) shows that the use of interim managers increased by 9% over the first two quarters of 2010. Covering the period between April to June this year, it also reveals that the proportion of private sector interim assignments has increased to more than half (52%), overtaking the number of completed public sector assignments for the first time since the third quarter of 2009.

Without doubt when used effectively, interim professionals can be an immensely valuable resource for in-house recruiters both during a recovery period and in times of uncertainty. For a start, the skillsets needed to turn a distressed company around tend to be quite different from those needed to run a business as normal. "If you've talked to people who've led turnarounds there are two elements to it — financial and

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operational," explains Habboo. "The first thing the financial guys do is focus on the cash in the business; they measure and micro-manage it on a day-to-day basis. Then they will start putting in place plans to renegotiate finance and extend credit terms."

This is only one aspect though and a turnaround director also needs to be able to look at it from an operational standpoint and understand what needs to be done. "Sometimes it requires a complete overhaul of the direction of the company," says Habboo. "So a good turnaround expert will understand the financial needs but also be able to bolt on the operational turnaround element as well."

According to Habboo there has been a shift towards greater demand for senior executive which again is a product of the recession and recovery. "When things are going well, organisations are happy to let things run but when things aren't going according to plan that's when you get that more intense focus," he says. "We've seen the level of interim demand rise from programme management to roles such as CFO, CIO and CEOs."

Despite the downturn though, Boyden stresses there hasn't been the squeeze on day rates and margins that you might expect. "It seems clients would rather get the right individual at a senior level than worry too much about pushing back rates," he adds. Several providers also point to major integration, transformation and change projects that have helped fuel demand for interims in recent months including the infrastructure project at Gatwick Airport following its acquisition by a consortium led by Global Infrastructure Partners, and the Lloyds-HBOS merger. "The integration programmes between Lloyds and HBOS used a significant amount of interim resource to secure effective delivery," says McIntee.

Similarly Habboo credits interims as playing a vital part in the Northern Rock transformation project which saw the bank divided into two different institutions, Northern Rock and Northern Rock (Asset Management), and which also included merging Bradford & Bingley with the latter. "So you had a turnaround, a separation and a merger. Each would be a massive discrete project but this was three at once," says Habboo. "It saw a huge demand for interim as and when required. The workload of the HR community alone was immense since everyone had to have individual and collective consultations."

Whether being involved in a massive transformation project such as these or a smaller scale change programme, the principles of finding the right interim professional should remain the same. First off, it is essential to know the outcome of the project and have in place milestones to ensure they are delivering. "The danger of bringing someone in without those is that it can lead to a lot of scope creep and indecision," says Rob McCargow, partner at Green Park Interim and Executive Resourcing.



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He adds that whether sourcing directly or through an interim supplier, recruiters also need to ensure substantial due diligence is conducted on the individual, which includes checking out their track record of success. "You also need verbal references; written ones don't hold enough weight for these types of assignment," he says.

Track record and being able to hit the ground running are two phrases that rightly come up when discussing interims. A good interim will be able to demonstrate the tangible difference they have made in their previous placements and be effective from day one. It will be easier to assess the interim on this criteria, if you are using an interim provider whose reputation also stands or falls on the ability of the interim to deliver and within the client's required timeframe.

In-house recruiters should also be alert to the difference between an interim and a consultant. McCargow warns that confusion between the two has led to a lot of consultants winning interim work on high day rates without some of the key qualities needed. "They won't necessarily have the change agent mentality and knowledge transfer skills and the ability to exit when the time is right," he says.

Conversely, it seems some interims are also challenging traditional consultants head on and this could spell good news for recruiters in terms of fees. Michael Kaltz, managing director of Curzon Interim, reckons some interims are being used for shorter, more flexible, project-based arrangements usually more associated with consultants. "Clearly there are some very strong interims out there, many of whom have consulting in their background and their chargeable rates might be a third of someone with similar experience if they were being supplied by a consulting firm," he says.

Another emerging trend that spells good news for in-house recruiters is the introduction of more flexible interim payment structures where the risk and reward is shared. Traditionally, interims have been paid a day rate to perform a specific job but such a shared approach could see the interim working for less than their day rate initially but are then rewarded once they deliver. The interim provider could even be asked to put a portion of their profit margin at risk against the delivery of those success factors. "So the supplier and candidate share the same level or risk as the client," explains McCargow. "This is something that isn't done nearly enough but it is something we do with our private sector clients."

His approach also helps to keep the project on track because it encourages resourcing departments to regularly review and assess the interim's performance. "It also helps to focus on the exit plan to ensure knowledge transfer is robustly built into the process. There has been a lot of usage of interims whereby the individual achieves what they set out to do but then takes all the knowledge away with them."

Kaltz adds that the bulk of Curzon's arrangements are based on this shared approach to reward and risk, and reports there is a real appetite for this approach from clients and interims. "Clients like it as it's easier to sell internally," he says, while the interim has the potential to earn more than they would have if they'd remained on a set day rate. "We've had good experience so far. To date all interims who have been on that arrangement have had the client decide the reward the full bonus so it's been good for everyone."

