

ACTION THIS DAY

FINANCES BY GUY MATTHEWS

PAID BY THE DAY, THEY DELIVER BY THE DAY — YOU WON'T FIND

INTERIM MANAGERS WASTING TIME JOCKEYING FOR POSITION

But for the vigilance of their superiors, junior employees would happily divide their working day between idly surfing the web for fun and sending trivial emails to each other. This, at any rate, is the suspicion laboured under by many senior managers.

Whilst above this kind of frivolity, senior employees are quite capable of compromising their own productivity in ways as unique to them as the executive wash-room or named parking bay.

Particularly during times of relative stability and growth, senior management will all too easily default to spending disproportionate time on what might be described as 'corporate activity'. At the more excusable end of the scale, this includes time lavished on endless internal meetings, attendance at an infinite number of conferences of questionable usefulness, and wallowing in the sea of internal communications and red tape that their positions throw at them.

At its more negative, it includes the machinations of internal politics. Much energy can be expended in competing for advancement up the career ladder, or in demonstrating indispensability to those above. Some executives become so blinkered that they lose all sense of the real value they should provide for their employer, and start to treat their position as a fiefdom to be defended at all costs.

When management layers are shed after a takeover, it's this 'layer of fat' that usually gets removed first. But, as prevention is better than cure, top-level managers are starting to consider ways in which the build up of this 'fat' layer can be avoided in the first place.

An obvious option is the interim manager — a highly qualified professional brought in to oversee a particular project, paid solely on the basis of their time and achievements. Historically many organisations have eschewed this route, their prejudice mainly based on the assumption that an interim manager is likely to be more expensive than a permanent manager, regardless of whatever qualities they

bring to the party.

This is not borne out by the facts. In fact research by Impact Executives reveals the opposite. Typically, an interim executive will cost around £800 a day, compared with £120,000 or so per annum for a full time employee.

But this £800 goes a long way. To begin with, there are no extra payroll costs such as National Insurance or health schemes. Interim executives are not provided with car benefits, pension plan and the panoply of executive ancillary extras. And since they are paid by the day, they have to add value by the day, giving their performance an edge often lacked by someone safe in a lengthy contract. Most hiring strategies adopted by companies ignore the real financial impact of recruitment, both in terms of time and money; as well as other expenses such as training, holidays, maternity/paternity leave and travel.

“ No induction period is needed to make an interim manager productive, nor training required ”

One finance director at a major listed company said “I am amazed at the hidden cost of recruitment and severance. Most executive packages will cost the company an additional 20 per cent on the annual payroll due to these two factors. Even finance directors do not realise the hidden cost of employing executives until they are involved with a downsizing or restructuring. With the changes in employment patterns, we are experiencing these costs on a three-year cycle”

As can be seen from the data above left, the perceived value of an interim is 30 per cent greater than that of a permanent manager. Furthermore, the comparable costs associated with using an interim manager can provide cost savings in excess of 40 per cent.

Demonstrably better value can be expected, according to all metrics, from an interim manager.

Statistics aside, one obvious strength of an interim is the speed at which they can be employed, and conversely their deployment. On just a week's notice, an interim executive can be terminated, should their project face an early demise. No induction period is required to make them productive, nor training needed to bring them up to speed. This all comes with the interim package, on day one.

Furthermore, as the interim manager is outside the normal office politic you won't find them jockeying for favour with the MD. They have no pet projects to defend, and no motivation to sit in endless meetings where the minutiae of corporate processes are picked over in detail.

Without emotional attachment they can spot projects and initiatives that have become sacred cows to full time managers, and will have no compunction about shooting them where necessary. Where inventory needs reducing, cash flow increasing, labour costs cutting and unproductive sites shutting down, the impartial interim can play a dispassionate and professional role.

And as their diary is at the company's disposal, their day will not be clogged by conferences, seminars or industry think tank meetings. They spend little time at airports, on trains, or in transit between the different divisions of a distributed enterprise. Their role is tight and focused, their schedule lean and spare.

Interim managers can help make your company agile, by saving on the need to staff up in advance for anticipated growth. Instead you can reach out for the instant expertise of the interim at the precise point of need. Interims will make you flexible too, by maximising value creation at the same time as minimising costs.

As a supplement to the existing management team; a replacement for a senior manager or a leader of a new project, the interim executive is an invaluable weapon in the battle to maximise competitiveness.

FIG.1 COST COMPARISON

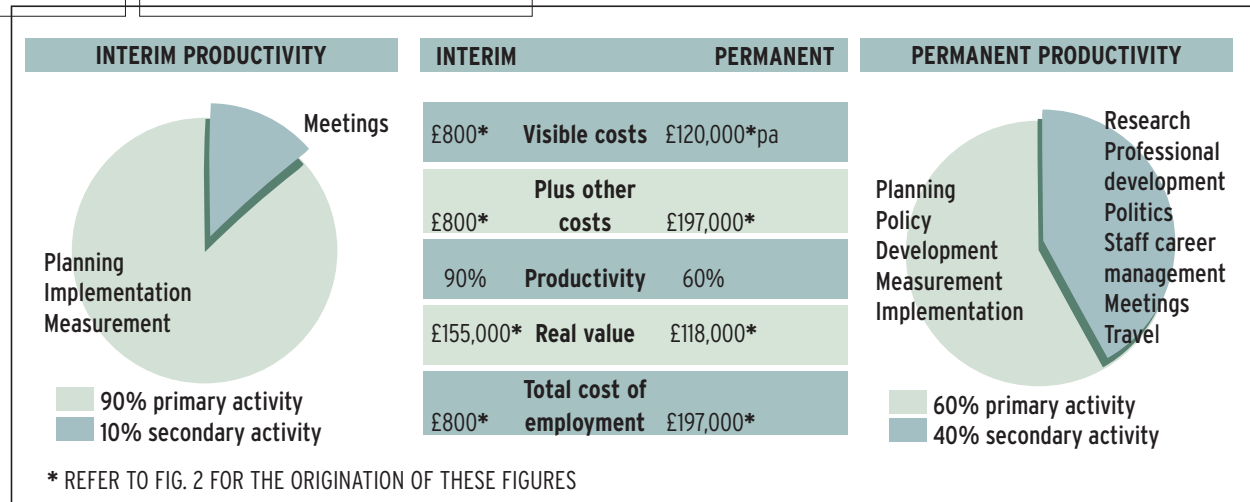


FIG.2

EMPLOYEE COSTS		INTERIM COST PER DAY (B)	£800															
VISIBLE COSTS		INTERIM PRODUCTIVITY																
Salary/Bonus	120,000	Net Working Days (C)	215															
Benefits (Health & Car)	6,000	TOTAL COSTS TO BUSINESS																
Payroll taxes	14,868	<table border="1"> <thead> <tr> <th></th> <th>EMPLOYEE</th> <th>INTERIM</th> </tr> </thead> <tbody> <tr> <td>Working Days</td> <td>215</td> <td>215</td> </tr> <tr> <td>Productivity (D)</td> <td>60%</td> <td>90%</td> </tr> <tr> <td>Real Value to Business</td> <td>£118,258</td> <td>£154,800</td> </tr> <tr> <td>Real Cost to Business</td> <td>£328,493</td> <td>£191,111</td> </tr> </tbody> </table>			EMPLOYEE	INTERIM	Working Days	215	215	Productivity (D)	60%	90%	Real Value to Business	£118,258	£154,800	Real Cost to Business	£328,493	£191,111
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Real Value to Business	£118,258	£154,800																
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Pension & Life Assurance	18,000	<p>➔ 31% REAL VALUE 42% COST SAVINGS</p>																
OTHER COSTS		ASSUMPTIONS																
Staff expenses	1,000	1. Average length of service of 3 years																
Training	750	2. Recruitment fee calculated as 25% of salary/bonus apportioned over 3 years.																
Recruitment fee	10,000	3. Severance pay based on 6 months notice over 3 years.																
RISK OF EMPLOYMENT		NOTES																
Redundancy/severance	26,478	1. Total Employee Costs x Productivity% - (A x D)																
Total Employee Costs (A)	£197,096	2. Interim Daily Costs x Net Working Days x Productivity% - (B x C x D) 3. Total Employee costs/Productivity% - (A/D) 4. Interim Daily Costs x Net Working Days /Productivity% - (B x C/D)																
EMPLOYEE PRODUCTIVITY																		
Total Working Days	248																	
Holidays - in days	(25)																	
Sick/Training/Maternity/Travel	(8)																	
Net Working Days	215																	
INTERIM COST																		