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INTERIM MANAGEMENT: A NEW TOOL TO ENHANCE A COMPANY'S COMPETITIVE PERFORMANCE UNDER CURRENT GLOBAL INSTABILITY

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The authors examine the nature of interim management and analyzes the features of its application by the company. It is shown that in the period of instability attracting highly qualified professionals under the terms of interim management will effectively increase the competitiveness of the company from any country

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JEL: M10, M11

The modern economy is characterized by a number of negative phenomena. Macroeconomic instability adds an additional instability to this system, creating an unstable situation in the financial and commodity markets. The effective demand goes down and, along with a slower turnover of capital, adversely affects the economic indicators of production systems. A fiercer competition becomes an additional factor that exerts pressure on a manufacturer; meanwhile, such a competition is both the main implication and the meaning of the market functioning.

Under such circumstances, it is often necessary for business to increase its competitiveness by achieving tangible changes in the company's standing.

It is possible to emphasize two major areas of efforts to improve the competitive performance of a company. The first way is the development of appropriate measures using the efforts of the company's management team (f.e. [1]). The second way is to attract new professionals to solve a specific business problem.

However, the permanent engagement of additional professionals is associated with a number of problems. This is a reason why, in foreign practice, Interim Management is used for such a purpose

Interim Management represents the company management assignments that are limited in time. The UK Interim Management Association has defined Interim Management as a prompt practical solution to a business problem by attracting high-class senior managers for a designated period of time [3].

An Encyclopedia for Manager defines Interim Management as the type of management services with a consulting bias, the tenor of which consists of a temporary engagement a subspecialist in order to tackle a problem that the company cannot solve using its own resources [4].

Thus, an interim manager would be invited to the company for a short term, in order to find a professional solution for a set of tasks, provide project management services, and he/she would leave after achieving the goal and completion of the project [5].

It is known that the first interim managers appeared in Holland in the 70s, and that they helped to improve the labor market flexibility. Rather quickly, this phenomenon has spread all over the Western Europe. In Germany, first interim managers appeared in the 80s. Currently,

over 60% of US companies engage interim managers for business and project management. In England, this figure exceeds 80% [3].

The modern market of interim management is under constant influence of interim providers (professional intermediary agencies) and associations of interim managers. Under current conditions, this market is developing very dynamically; it has its own distinctive features.

An interim manager is conceptually different from a regular consultant who only counsels and supports a project. The tenor of the activities of the interim manager is to ensure active actions and reorganizations to improve the competitive performance of the business: "hands on" project management and personal responsibility for the business situation. They provide assistance for flexible adaptation of planning processes with account for the world market trends, which often provides not only a quick and effective solution to a problem, but also a competitive advantages for the company, based on the distinctive features of its development.

The analysis of global deployment of interim-managers in the industry revealed that during the last decade, the area of the use of temporary managers has embraced the automotive industry, mechanical engineering, energy and healthcare [6,7,8]. Meanwhile, today there are two significant areas of business activities, where interim management is practiced more often: the first one is the introduction of new software, and the second one is the sale and purchase of companies. Interim managers are of relatively high demand for management of the enterprise rehabilitation and restructuring processes, for entering new markets, management of integrated processes within an enterprise, business development.

Upon review of interim managers' personal characteristics, it may be noted that these are people over 45 years with an extensive managerial experience. Incidentally, in Germany, about 80% of interim managers are over 45 years, which have previously held positions of CEO, CFO, head of marketing or procurement department. In Europe, only 10% of interim managers are females [9], but with an increasing trend. In recent years, the share of female interim managers has increased from 7% to 10%.

According to online study of work experience of 156 senior interim managers in the UK, women are more convincing, more flexible, faster at adapting to the new environment and developing occupational contacts, and they achieve success more quickly. According to the Dachgesellschaft Deutsches Interim Management e.V. (DDIM), there are over 8,000 interim managers in Germany [9].

During a period of instability, the interim management will be becoming a more and more effective tool for effective management of competitive performance of firm. A distinctive feature of this period is the growing number of the companies and organizations that use the services of interim managers (including including foreign managers). Not only the need for temporary project management or lack of highly qualified personnel may serve as the prerequisites for the use of interim managers. Sometimes the engagement of an interim manager is due to availability of vacant positions, or long-term absence of a manager due to his/her sickness or disability.

Strategic thinking and practical "hands-on" implementation of interim projects are closely related. Usually, interim managers would hold positions at the first or second level of the enterprise management, and receive orders through a provider, or through a personal network of contacts. Interim managers are carefully screened on order-specific basis, customer requirements, hands-on experience in this area, professional knowledge, social skills, personal qualities, and credentials obtained upon completion of previous orders.

Interim managers are characterized with mental agility, experience, high skill, objectivity, freedom of choice, commitment, credibility, high efficiency.

In most cases, the interim managers would commence to work within 1-2 weeks after their initial personal contact with the customer. Their professional experience and high skill

level allow them to get acquainted with the situation and tackle the project in a quick and efficient way. Upon completion of the project, interim managers would leave the enterprise quickly and at no additional cost. They are not paid vacation payouts or sick leaves. Interim managers' remuneration varies in the range of 600 to 1,500 euro per day, depending on their skills and projects. In Germany, the average rate is 927 euro per day [10]. At first glance, it seems much higher than the cost of an internal manager, however, the performance efficiency of interim managers is way over than that of salaried employees.

The areas of interim management services are extensive: crisis management, restructuring, prevention of critical shortage of managers and bottlenecks in the management structure: short-term acting appointments to vacant positions, purchase of a new company or management buyout (MBO), initial public offering (IPO), mergers, introduction of SAP, project management.

Interim managers are obliged to honor the confidentiality of information subject to an agreement concluded with a customer or provider. The confidentiality requirements are comparable with the requirements to external auditors or consultants. A breach of the agreement shall be subject to imposition of a stiff fine.

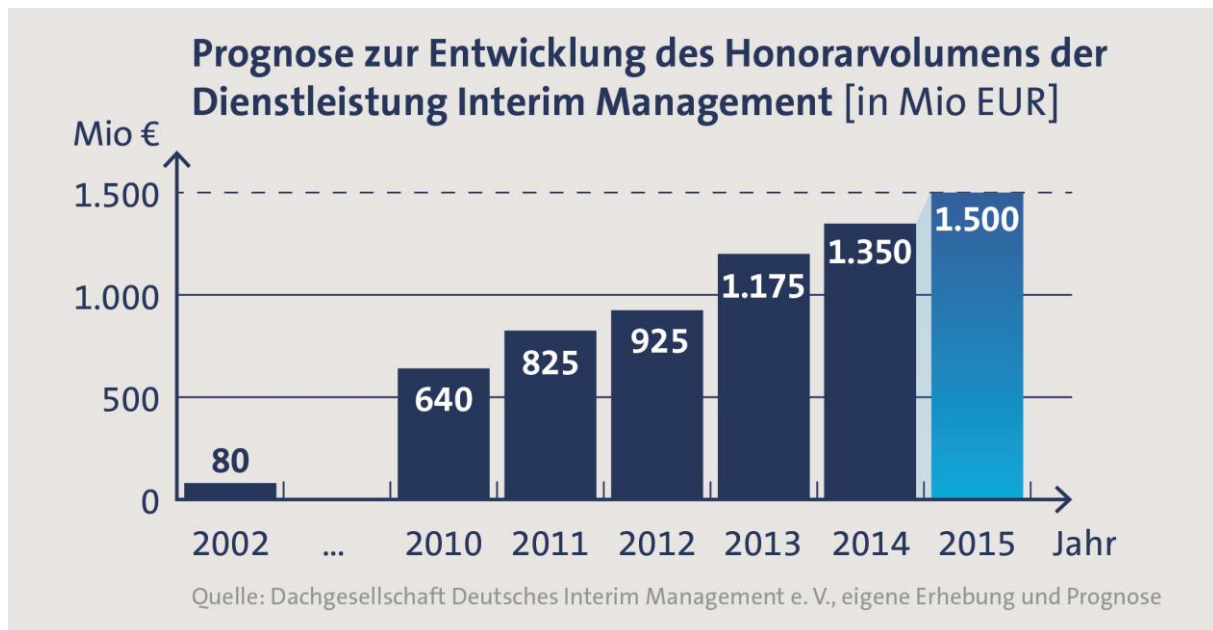
Interim management in Germany has become an integral part of doing business. Many German companies appreciate the advantages of flexible employment, and request this type of service. According to a survey conducted by the Dachgesellschaft Deutsches Interim Management e.V. (DDIM), the interim management market will grow up by 10% in 2015, as compared to the 2014 market level, and the amount of remuneration will grow up to 1.5 billion euro [9]. The optimistic forecast is based on a favorable market situation in the German economy, increasing demand for highly qualified interim managers, and increasing number of managers engaged in provision of services of this type. The quality of services provided is consistently growing since most managers are improving their skills and market positioning.

This trend is positively perceived by the German companies, engaged in recruiting temporary managers, which fact contributes to further growth of the interim management market. "An interim manager's capital is his/her experience and professional expertise, composed of professional knowledge, competent working methods, his/her social intelligence and personal efficiency. Ordering companies see the benefits for business management, and this type of service is a request we hear more and more often. Positive feedback from numerous credentials of interim managers is a first-class evidence of a success," says Frau Dr. Marei Strack, Chairman of the board, Dachgesellschaft Deutsches Interim Management e.V. [9].

The number of interim managers that are operating at the highest level of company management, or in charge of large-scale projects, will increase from 7,000 in 2014 to 7,500 in 2015. The volume of market of the interim services will grow up from 1.35 to 1.5 billion euro. Workload of interim managers will stay at a high level amounting in average to 160 days a year.

Engineering (25%), automotive industry (18%), IT and telecommunications (8%) are the major industries that deploy interim managers.

The main areas of activity include project management (18.2%), acting appointments to vacant positions (17.0%), restructuring and rehabilitation of companies (16.8%), and process optimization (15.6%) .



Source: DDIM e.V. - Dachgesellschaft Deutsches Interim Management -<http://www.ddim.de>

2014 Executives Online survey, conducted in 32 European countries, including Germany [11] found that 29% of managers have full-time employment, 20% have partial employment, and 12% have to combine short-term partial orders in order to achieve full-time employment. 70% of interim managers obtain orders through their own network of business contacts, and 30% of interim managers obtain orders through providers. 27% of orders are acting appointments as CEO, 27% of orders are acting appointments as department heads, 20% of orders are acting appointments as project managers. Expertise in a particular area is required in 27% of cases. Transformation and optimization projects (change management) account for 24% of orders, rehabilitation and crisis management projects account for 19%, acting appointments to vacant positions account for 16%, and implementation projects account for 13% of orders.

According to the Kienbaum study [12] the experience, consistency, and economic education of the interim managers that enable them to analyze company performance indicators, their optimism, commitment, activity, resolution, and confidence, are the factors of their success.

The main roles of interim managers include: people managers, change managers, project managers and crisis managers.

In the coming years, the interim management market is expected to grow by 15-20%. The present German economy growth is the guarantor of further development of the interim management.

At the same time it can be stated that the interim management can be an effective tool in the context of macroeconomic instability. Attracting highly qualified professionals under the terms of interim management will effectively increase the competitiveness of the company from any country.

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