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THE MARKET FOR INTERIM MANAGERS

Interim managers are finding opportunities in various industries. Merger integration managers and general managers in the manufacturing industry, for example, are currently in great demand, according to EIM's Quinn. Similarly, the pharmaceutical, financial services, and media industries are providing active markets for interim managers, reports Amelia Tyagi, co-founder and chief operating officer of Business Talent Group, an interim management company based in Los Angeles.

ReefPoint's Sweeney said the greatest users of interim executives today are private equity-backed companies. One of ReefPoint's assignments, for example, involved providing services for a private equity consortium to rescue an e-learning business and prepare an exit strategy.

"Interim management is also good for venture capital companies," Sweeney said. "It's not atypical for a venture capital startup to go through several chief executives before they get themselves established."

John Collard of Strategic Management Partners estimates there are currently 400 to 500 interim CEOs in the United States who focus on troubled situations or corporate renewal.

There also are ongoing opportunities for chief financial officers who want to work as interim executives, said Mitchell Weintraub, a certified public accountant and founding partner of Cordia Partners, a supplier of finance and accounting services in Vienna, Va. This is unlikely to change, he said.

"I just continue to see a shortage of good, strong accountants coming out of school and getting into our profession," Weintraub said. "That continues to drive a need for CFOs."

Wahlquist at ASA noted that one of the fastest-growing parts of the staffing industry in the past 10 years has been the professional sector, including finance and accounting, health care, information technology, engineering, scientific support, management, public relations, and executive-level sales and marketing.

Advantages Interim Managers Offer

One advantage of using an interim executive or manager, Sweeney and other authorities in this field said, is that they can begin working immediately.

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Tips for Working With Interim Managers

There are several steps companies should take before using an interim manager, executives in the field said. They advised:

s Involve an attorney when developing an engagement agreement or contract between the company and the interim manager or the firm representing him or her, said John Collard, chair of Strategic Management Resources Inc. in Annapolis, Md. Also, make sure the contract spells out who is going to do what for whom, he said.

s The contract should specify the start date, end date, hourly rate, responsibilities, and deliverables, advised Ron Torch, president and chief executive officer of the Torch Group in Cleveland, Ohio.

s Before the interim manager begins work, the client should outline exactly what goals it expects to be achieved, said Vincent Papi, managing director for Boyden Interim Management in Pittsburgh, Pa. “We can track those, and the interim manager can have a sense of where they are,” he said. “At the end of the assignment, we sit down with the client and debrief to make sure we’ve accomplished what we set out to do.”

s At Executive Interim Management, officials engage in several business reviews with the client company. During these reviews, managing director Maureen Quinn said, they go over objectives, challenges, opportunities, priorities, and deliverables.

“The attraction for companies that have interim needs is they can in very short order—no more than a couple of weeks—bring in a senior executive who is overqualified for the assignment,” Sweeney said.

Wahlquist at the American Staffing Association echoed Sweeney.

“One of the advantages for . . . a small or medium-size organization is that using an interim executive can give you access to senior executive level individuals you may not be able to fit into your budget on a full-time basis,” Wahlquist said.

Such interim executives can offer a perspective developed when they worked for various other companies for years, Wahlquist said.

Another advantage is that interim managers tend not to have close ties to employees and leaders in the company so it is easier for them to make difficult decisions such as when to cut jobs. Similarly, they tend to avoid being part of political struggles or turf wars at an organization, various sources said.

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“I try to clarify expectations when I go in,” said Katha Kissman, an interim manager and sole practitioner in Washington, D.C. She works mostly with non-profit organizations that have a planned or sudden loss of their chief executive officers.

“Do they want to just keep things going until they hire a new person? I’m happy to do that,” Kissman said. “If a CEO has been let go for a certain issue and they need me to clean up the issue, I would do that as well.

Questions to Ask Before Hiring an Interim Manager

Executive Interim Management in New York City suggests that companies “undergoing transition” ask a series of questions to determine whether they need an interim manager. Questions EIM advises companies to ask include:

- s What is the challenge, how serious is it, and how soon is change needed?
- s Is there time for a retained search or are there urgent matters that must be addressed today?
- s What will the company be risking if it delays hiring an interim manager or selects an executive who does not have the expertise to develop a solution quickly?
- s Does the company have a stable, well-defined job specification? Are there major transition challenges that must be handled before a permanent solution is found?
- s Will the firm supplying interim management act as an agent or as a principal?
- s Will the interim management firm be actively participating in managing the change process during the duration of the assignment to guarantee its success?
- s How accountable is the interim management company for the work it agrees to do?
- s What are the alternatives if the interim manager fails to fulfill the conditions agreed on?
- s How long will the assignment take?
- s How much will the interim management services cost?

“Sometimes I go in and find things they didn’t know were happening. I will clean that up,” she added. “It depends on what the board and human resources executives need. I’ve had to let staff go, rehaul departments, and get things working more efficiently.”

What Traits Make the Best Interim Managers?

The best interim managers possess certain characteristics likely to lead to success, authorities in the field told BNA. These include adaptability, flexibility, and being good listeners. Other traits good interim managers should have include:

- s They must be comfortable working with all kinds of people, Kissman said. “In addition, they must be someone who understands they will be walking out the door,” she added. “You have to have an appropriate level of investing of yourself into the project—but not getting too invested because it’s not your baby. It’s kind of like being a foster parent.”

- s They must possess a “project-oriented nature” and be willing to travel a lot. “They like short, intense, three-, six-, nine-month projects,” said Dan Dooley, a principal and chief operating officer at MorrisAnderson & Associates Ltd., a middle-market consulting firm in Chicago that focuses on financial, operational, and strategic services for companies undergoing change. “They like dealing with complexity, unraveling problems, and must be good with people,” he added. “We like people with backgrounds from lots of industries versus a very narrow background in one industry.”

- s They must have a solid track record of success, Quinn at EIM said. “We need to know the positions they’ve been in, what their responsibilities were, and what they delivered,” she said. They also must be able to communicate well and be able to develop a team. “They should be good decisionmakers, independent, and someone with good analytical skills,” she added. “When our folks arrive on the assignment, they’ve got to jump in with both feet and be ready to go. We have to see they’ve done this before.”

What Salaries Should Interim Managers Expect?

Salaries for interim managers vary greatly, depending on the industry and the size of the company, but most are paid well, sources told BNA.

“The hourly fees are all over the map,” said Collard at Strategic Management Partners. “We either work on a project basis, for a certain number of dollars per month, or for so many hours per month,” he said. “This is different from salaried work.”

Here are samples of what (and how) interim managers are paid:

- s Salaries paid to EIM’s interim managers are comparable to what individuals who hold the position on a full-time, permanent basis would make, Quinn said. “We have a range from \$1,000 per day up to \$3,500 to \$4,000 per day,” she said. In addition, EIM charges a commitment fee of about \$10,000. This is an arrangement that guarantees a company will work exclusively with a certain

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firm. “If we don’t supply the interim manager, the money is returned,” Quinn said.

s In metropolitan Washington, D.C., rates for chief financial officers range from \$150 to \$300 an hour, said Mitchell Weintraub, founding partner of Cordia Partners in Vienna, Va. “Our rates are a bit more than the traditional temporary staffing firm because we take ownership of the deliverables,” he said.

s A low-level, functional position in a small company could command \$500 to \$1,000 per day to many multiples of that, said Sweeney at ReefPoint. “A lot has to do with the individual and if the company wants a particular person.” He also noted that for a startup position in which the company has a very limited cash flow, “we may put together a compensation plan that has some deferred elements to help get the thing started. It depends on the manager, situation, and the client’s goals and objectives.”

s An interim manager’s income can be higher than an employee in a similar permanent position because the interim staff member is paid for every hour he or she works, Dinte said.

s A few interim chief executive officers can command as much as \$1 million a year plus incentives, Collard said, but “most folks like myself will work for between \$350 and \$500 per hour as the CEO of a middle-market company.” Interim chief financial officers or vice presidents of sales or production at middle-market companies can command \$250 to \$350 an hour. Collard said he might work for a lower hourly rate if he secures an assignment for a certain length of time, such as 12 months. “But for a short period, there’s a sliding scale,” he said, noting that companies must take into account what the interim managers do when they’re not on an assignment. “That’s why the hourly rates are higher” than for permanent staff members, he said.

s At Boyden Interim Management in Pittsburgh, Pa., interim managers can make the equivalent of six-figure annual salaries, said Vincent Papi, a managing director there. “They may work for us on a project and could very well work with another company,” he noted.

s Interim managers can make between \$200,000 and \$400,000 annually, depending on their experience level and position within the company, said Dan Dooley, a principal and chief operating officer at MorrisAnderson & Associates in Chicago. The positions are full-time and generally last three to nine months, he said, noting that 90 percent of the interim managers he works with have served as chief executive officers, chief operating officers, or chief financial officers in multiple companies.

s Kissman said her fee is based on the salary of the employee who previously held the position. “The reason is those salary levels are usually budgeted in an annual operating budget,” she explained. “So it would be more competitive for me to come in at that same level.” What gets adjusted is the amount of time Kissman works at the nonprofit organization, she said. “Sometimes I will front load the hours in my contract and am there full-time in the beginning, and I scale it down as time goes on,” she said. She also said consultants make more

money on an hourly basis because they carry their own overhead and don't get benefits. "These are all the considerations HR might need to take into account when they are negotiating a contract with a CEO," she said.