

Comparative Analysis of the Situation of Interim Managers on the Basis of a Hungarian and a British Survey

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Abstract

The aim of this study, on the one hand, is to outline the types, competencies and functions of interim management, and on the other, to compare the situation of the Hungarian and British managers on the basis of empirical researches. Interim management appeared in Western Europe in the 1960s, while in the 1970s, as a result of oil-crises, the need for it increased. This was due to the fact that leaders of companies on the verge of bankruptcy accepted the suggestions of independent managers, who then temporarily took control over these companies. This is how interim management evolved. This kind of management differs from company consultants in that these managers not only developed a plan of survival but carried out the daily tasks of company management.

Keywords: *Interim management, management consulting, Hungary, United Kingdom*

JEL classification: J53, M10

1. Introduction

According to Wichard (2006) „the decision making distinguishes the interim management from the company consultants because it gives a relative advantage in solving of complex organizational problems.”

On the bases of researches of Poor (2010): “Interim management is a form of activity for a certain time, when for a determinant time an outer, a so-called Interim Manager imparts his management knowledge at determined circumstances. Employment of such leaders may become important by several reasons:

- In crises situations you need to react fast and effectively that is well to trust to an interim manager in most cases.
- Before fundamental strategic changes it worth using interim manager too.
- Functional manager tasks requiring special knowledge (e.g. marketing, HR, etc.) are also fine fields of activity for these kind of professionals.”

Since the second half of the 1970s interim managers have used a number of innovative methods in crisis management. At the end of this period the nature of

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interim management started to change. By this time the companies were no longer on the verge of bankruptcy, there were not panic situations. Even so more and more people realised that the management needed a strategic change, and that the company leaders of that time were not able to accomplish it.

Demand on change emerged because, due to the fast development of technology, the internal structure of companies fell behind from demand requested by market competition. This process was intensified by lay-offs, international competition and the merger of companies. Competitiveness of companies depended on their ability of adjusting internal structure to the new challenges and demands.

According to the facts mentioned above, in the middle of 1980s more and more companies decided to make use of interim managers. As a result, interim managers were involved not only in the prevention and managing of the crisis but in change management as well.

Since the 1990s a need has emerged for interim managers who were able to make strategic changes at the level of functional management, too. These managers were mostly responsible for logistics, finance and production, and beside the change process they ran the everyday business. In the '90s there was an ever increasing need for these managers to be able to change processes fast, which was in line with the speed up of technological and organisational changes as well as the need for satisfying consumer needs at the highest level.

Interim management can be applied to all levels of a company. Hiring these managers is the most helpful in unusual functioning of a company, when there is not enough internal knowledge, experience or capacity at disposal. These typical situations are as follows:

- Set-up of a structural unit or a section,
- Liquidity problems,
- Temporary manager shortage,
- Strategic crisis (acquisition, set-up a joint-venture, spin-off).

Interim management can be used in each industry. However, among the industries, up to now the most frequent clients were from the manufacturing and processing industry, while the fewest came from trade and the service industry. (Rigler, 2009.)

2. The functions of interim management

Types and competencies

- Gap management, when after unexpected leave of top managers the gap has to be filled in quickly for a short time, or when the replacement of personnel causes problems in the company management;
- Start up of companies or units in case of project management, mergers and acquisitions, company consolidation, specialists' or professionals' project;
- In case of change and crisis management preparing the company for sale (exit management), slimming of a company, major re-structuring, change of culture.

Interim management basically has three functions:

- Acting as operative manager, carrying out daily control;
- Acting as consultant manager, analysing the concrete situation and laying down directions for the future;
- Acting as change manager, analysing, initiating, carrying out and checking the necessary changes in the organisation.

Successful interim managers have the following characteristics:

- Usually over qualified experts for the task;
- Committed to achieving of goals;
- Standing up for their point of view and opinion;
- Doing their best for getting confidence of colleagues in order to co-operate for the improvement of procedures;
- Open minded, impartial, honest;
- Performing at the highest level.

3. Comparison with other fields

Distinction should be made between consultant managers and ordinary consultants. While interim managers are responsible to the company, ordinary consultants are responsible to consultant company. An other significant difference between them is that an interim manager, as opposed to a consultant, does not give advice to the client company, but is responsible for carrying into effect the strategy designed for the improvement. It is worth mentioning yet another difference: while a consultant is always learning during his work, an interim manager must be over qualified at all times.

In this context I outline the similarities and the differences of activities of the company managers, interim managers and management consultants.

Table 1: Comparison of the company managers, interim managers and management-consultants

Characteristics	Company managers	Interim managers	Management consultants
Type of task	Direction of the whole company or part	One or more task of chief	Only consulting
Type of contract	Labour contract	Commission contract	Commission contract
Right to direction	Unlimited within scope of activity	Depends on kind of problem	None
Term of contract	Indefinite	Definite	Definite
Earning	Monthly salary, variable payment, bonification and allowance	Travelling allowance and expenses	Travelling allowance and expenses

Source: Burns, J. (2006): Interim-Management Deployments in an Innovative Context. München-Mering: Rainer Hamper Verlag. p. 34.

From this chart you can see the similarities and differences among company leaders, interim managers and management consultants. There are more similarities between interim managers and management consultants. Nevertheless Burns (2006) points out the differences as well, which are as follows. A consultant has no right to direction, while an interim manager, depending on the kind of task, has within his own authority.

4. Comparison of interim management on the basis of empirical research

Sample attributes

I compare the situation of Hungarian and British interim managers on the basis of a survey made in 2008 in the UK and in 2009 in Hungary (Riegler, 2010). In the British survey 936 interim managers took part. In the Hungarian survey 800 company leaders and 103 interim managers were involved. They either work or want to work as interim managers in Hungary.

In the UK the interim managers have an important role. The global economy challenges British companies. The economic situation in the recent past caused big cut-backs and re-organisations of the scope of activities in the companies. An increasing number of interim managers were already observable in 2000 with significant regional differences. In the course of years these managers have got more and more experience.

Due to the influence of economic crises, there have been cut-backs, re-organisations and different kind of projects to boost efficiency in Hungary. Among these efforts are profit maximization and strategic modifications in business for change management. All people and all levels in economic organisations are affected by these modifications to some extent. In these circumstances the need and demand for interim managers increased in Hungary, too. In 2003 there were barely 100 interim managers in the database, whereas by 2008 it increased to 800.

Specification of respondents

One can observe great disproportion of sexes in the UK. There were 82% men among the participants in the survey. As from 2007 the percentage of women has increased. In 2007 it was only 14%. In Hungary the ratio of men considerably exceeded that of women. That is why this field is now considered a man profession. In spite of the fact that women, due to their disposition, have many characteristics that make them able to manage this job at a high level. However, women do not like uncertainty, they are careerists to a lesser degree than men, and they prefer conventional jobs in order to meet family obligations. For these reasons few women undertake this job.

In the UK 60% of the successful interim managers are over 50 or more, 14.3% of them are over 60. The average age of participators in this survey was 51 years. Less than 10% were under 40 and less than 1% reached 30.

This indicates that successful performance in this job needs a certain company- and life experience.

In Hungary the interim management is mainly a job of men over 50. The fundamental reason is that they already have the adequate company, financial and managerial experience, due to the fact that they are able to grasp the tasks and the feasibility of solutions. It is interesting that the ratio of age 45 to 50 is lower than between 40-45. At the same time the number of managers aged 30-35 is the fewest.

Fields of activity of interim managers

In the UK the competence of the interim managers may be used in almost all specialities. It is significant first of all in managing direction/general management, HR and recruitment, change management, sale and administration consulting. Besides they perform well in marketing, finance, manufacturing/production, and information technology.

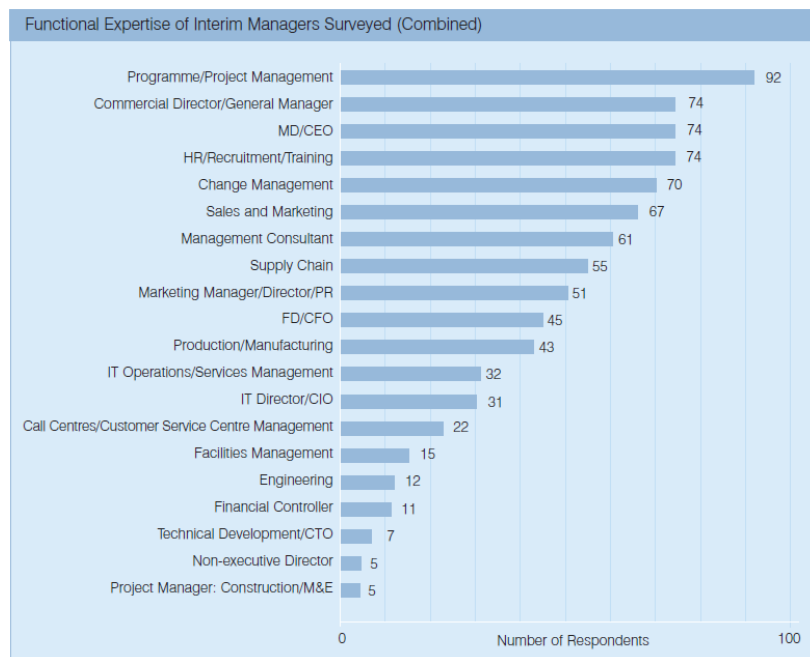


Figure 1: The functional fields of interim managers in the UK

Source: Interim Management Trend Update Research and Analysis on the UK Market for Interim Management and Other Fast-Track Executive Resourcing. p. 6.
http://www.executivesonline.co.uk/about_us/reports/interim_report.pdf

From the Figure 1 you can see that there are professions where the interim managers were employed in same rate. E.g. Commercial Director, CEO and HR.

Table 2: Fields of activity of interim managers in Hungary

Fields of activity	Percent ratio %
Change management/Crisis management	7,8
Finance/Accounting/Controlling	14,6
Human Resources	6,8
IT/Telecommunication	2,9
Trade/Sale	6,8
Management	28,2
Purchasing/Logistics	3,9
Manufacturing/Production	2,9
Management Consulting/Project Management	12,6
Law/Public administration	1,0
Marketing/Advertising/Media/PR	6,8
Others	5,8

Source: Rigler A. (2009). Kutatás és elemzés a magyarországi interim menedzsment piacról <http://www.hrportal.hu/c/kuttas-es-elemes-a-magyaroszagi-interim-menedzsment-piacrol-20090213.html>, Downloaded: 17/11/2010 p.4.

Questionnaires were filled in by 103 interim managers working in above mentioned positions. It marks out from Table 2 that the most current activities are change management, finance and human resources. Change manager is a matter of course, because interim manager performs this role first of all directing a company. Whereas the least current fields are law and marketing.

As a matter of curiosity of this empirical survey is that the management, as a branch of activity, is only in the middle field, while this is an important field of successful running of a company.

Reasons of taking interim management service

In the UK this question was observed from point of view of companies and interim managers, too. Respondents could choose from the following alternatives:

- Suddenly emerged shortage in management (giving birth, illness, quit etc.),
- Seeking an employee for a position, but it dragged on,
- Need for extra management capacity for a definite term project,
- Reinforcement of a project team,
- For a concrete project need of a competency, lacking in actual management,
- Need for re-structuring (change management),
- Significant business improvement,
- Set up of new section, introduction of a new product.

The survey demonstrated that interim managers and companies were thinking about these questions in different way. According to respondent interim managers the basic reasons they were employed for, are the following: of 40%

simple need for extra manager capacity for a definite term project, of 22% aim was reinforcement of project team.

When the same question was answered by the clients, the following reasons dominated: supplement of a competency lacking in current management (29%), re-structuring (16%), and need for extra management capacity (15%).

From the answers of clients appeared, they were thinking differently than interim managers. However it should not cause problems between them in building up confidence and successful problem solution.

Table 3: Reasons of taking interim management service in Hungary

Reasons of taking service	Percentage %
Suddenly emerged shortage in management (giving birth, illness, quit, etc.)	22
Seeking an employee for a position, but it dragged on	11
For a concrete project need of a competency, lacking in actual management	30
Need for extra management capacity for a definite term project	7,3
Need for re-structuring (change management)	18,4
Reinforcement of a project team	4,8
Significant business improvement	3,4
Set up of new section, introduction of a new product	3,4

Source: Rigler A. (2010). Interim management in Hungary (In Hungarian). HR Portal Hungarian Interim Management <http://www.hrportal.hu/c/kuttas-es-elemes-a-magyarorszagi-interim-menedzsmen-piacrol-20090213.html>. Downloaded: 17/11/10. p.12

From the chart you can find out that major reason of taking interim management service was, that from time to time, there were sought professionals, having competencies lacking in actual management. By remarks of Hungarian clients main advantages of using interim managers are as follows:

- Quick solution, that is getting the most competent professional for completion of task, in days,
- Reduction of risk, because the company has the most experienced leaders,
- Reduction of risk of failure, and, in case of resultlessness, contract can be annulled, no expenditures on lay off.

Fee of interim managers

Influence of recession of global economy in the UK can be traced from 2006 in two fields: in regional invoice prices and in daily allowances.

The economical recession caused different influence on interim managers questioned.

In 2007 altogether 17% of them enhanced daily allowance, 22% of respondents cut back their invoice. That is more than half of respondents did not change daily allowance.

Therewith a slightly increasing tendency revealed which is a positive fact anyway.

In surveys, made in September 2007 and 2009, not only the averages do not differ, but within them little diversity is in rates. The highest difference was only 4%. In the UK the daily allowances differ by regions: they are the highest in East- and South-East England and London administration area, the lowest in West-Midlands and North-East England. Despite of this there is not such a big difference between the highest and the lowest invoice, than you can find it in functional areas.

In different profession areas there are big differences of fees. The most significant areas are the senior management, the IT and management consulting. The highest daily allowance is £1133, the lowest £450. The average daily allowance results as much as £649. The finance directors and change managers may invoice much higher.

Table 4: Daily allowances in functional areas in the UK

Functional Area	Average Billing Rate
Non-executive Director	£1133
IT Director/CIO	£954
MD/CEO	£864
Management Consultant	£765
FD/CFO	£727
Change Management	£705
Programme/Project Management	£645
Sales and Marketing	£629
Marketing Manager/Director/PR	£621
IT Operations/Services Management	£581
Commercial Director/General Manager	£579
HR/Recruitment/Training	£575
Technical development/CTO	£570
Financial Controller	£564
Project Manager: Construction, M&E	£550
Call Centres/Cust Service Centre Mgt	£550
Supply chain	£537
Production/Manufacturing	£526
Facilities Management	£480
Engineering	£450

Source: Interim Management Trend Update Research and Analysis on the UK Market for Interim Management and Other Fast-Track Executive Resourcing p.9. http://www.executivesonline.co.uk/about_us/reports/interim_report.pdf, Downloaded: 17/11/2010.

As a matter of curiosity is difference in invoices of sex. It shows 4% difference in favour of men.

The Hungarian survey analysed daily allowances of interim managers, too. Out of 103 people did not respond only 6. Only 7 of questioned said, his daily allowance was less than 20000 HUF. Four answered that daily allowance exceeded 250000 HUF, i.e. they earned 12.5 times more a day than people belonging to the previous group.

Most of participants in the survey, i.e. 30 people invoiced 50-99000 HUF daily allowance, 27 asked for 100-149000 HUF per day. Thus Hungarian interim managers laboured for 75-125000 HUF in average.

Table 5: Daily allowances of Hungarian interim managers

Daily allowance (1000 HUF)	%
< 20	7,2
20 – 49	14,4
50 – 99	30,9
100 – 149	27,8
150 – 199	6,2
200 - 249	9,3
250<	4,1

Source: Rigler A. (2010). Interim management in Hungary (In Hungarian). HR Portal Hungarian Interim Management <http://www.hrportal.hu/c/kuttas-es-elemes-a-magyroszagi-interim-menedzsment-piacrol-20090213.html>. Downloaded: 17/11/2010. p. 9.

It is important to take into consideration that an interim manager gets fee seen in the chart above only for days worked out. On the other hand a company manager gets salary/allowances during travelling abroad and trainings as well. Of course the salaries/allowances vary in knowledge, competency and area of concrete activity of interim managers.

As a matter of curiosity is the average daily allowance of female interim managers are less than of male. The difference is approximately 20000 HUF.

Conclusions

Summarizing you can come to the conclusion that the situation of British interim managers, due to historical and cultural reasons, is better than of Hungarians. At the same time, with gaining ground of interim management culture, the Hungarian firms will more and more realize that with use of interim managers they will be able to perceive and resolve the problems emerged, and handle the conflicts.

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