

Why do medium-sized companies need interim managers?

a white paper authored by AC Alpha Management,
partner of Senior Management Worldwide in Germany

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Without the current crises of climate, pandemic and war, medium-sized companies are still busy with the transformation through digitalization. We are living in a VUCA-World (Volatility, Uncertainty, Complexity, Ambiguity). Product cycles are becoming shorter and the complexity of tasks is constantly increasing.

Companies are forced into a permanent process of change, in which challenges arise for which medium-sized companies have neither managers nor experts. Managers who can increase efficiency in production by 30% while day-to-day business continues, can organize the reorganization of a business unit, can build new business or project managers/experts for digitization. Sometimes managers are also needed for a vacancy bridging.

Medium-sized companies are therefore increasingly calling for interim managers because they are a management resource available at short notice who bring know-how to the company. Meanwhile, there is a good supply of interim managers, so it is advisable to use an interim manager provider to minimize the risk of an mis appointment (David Clutterbruck/Des Dearlove in The Interim Manager 1999, Financial Times Verlag).



What is Interim Management?

Interim management is the performance of management functions that is limited in time from the outset due to clear objectives. The interim manager takes on a management position. He analyses the situation found in the company and then proceeds to implement what is known to be necessary without delay. He spends the least part of his working time on analysis. The focus of his work is on implementation. Most interim management assignments are change management tasks (Kirsten Frank, Interim Management 1995, Verlag Heinrich Sadler Page 9/10).

What is the interim manager market like in Germany?

According to the umbrella organization of German interim managers (DDIM), the German interim management market will grow to more than 2.5 billion euros in 2022. There are approximately 12,000 interim managers in 2022. The capacity utilization of the interim managers is about 150 working days a year.

The automotive supplier and mechanical engineering industries rely heavily on interim managers. In 2022, increasing demand in consumer goods as well as in the transport and logistics industry.



The functions of finance and human resources are very popular. The use of managers for the critical areas of supply chain management, production and operations will increase significantly.



In the tasks for the interim managers, the project manager, the change manager and the process optimizer are in great demand. In 2022, more restructuring and restructuring experts are to be deployed.



How does interim management work?

a) Quality interim management providers have their own interim manager pool

They know the interim managers personally who have themselves listed in their pool. AC Alpha Management is the provider pioneer in Germany. In 1979, AC Alpha founded the Alpha Management Pool®, the oldest interim manager pool in Germany (Kirsten Frank, see above, page 13). Every self-employed interim manager who is accepted into this pool is carefully selected and interviewed.

Interim management has followed globalization. In the meantime, there are interim managers worldwide who solve the challenge of their customers. In order to support customers worldwide with the same quality, the managing director and shareholder of AC Alpha Management, Bodo Blanke, co-founded Senior Management Worldwide (SMW) in 2004. SMW now has 25 partners around the globe and can offer around 50,000 quality-tested interim managers worldwide (smw-interim.com).

b) Task of the provider

If the customer contacts the provider by e-mail or telephone, the provider already knows personally the best interim managers for the task of the customer. The provider is permanently in contact with the already listed interim managers via events or interim

management forums and is constantly looking for new interim managers. The provider knows which topics the interim managers deal with in his pool and also organizes interim manager meetings at which he can exchange ideas with the interim managers. He advises his clients on which interim manager who is currently available on the market will best solve their challenges.

c) Requirement profile

The provider advises the customer on the design of the requirement profile for the interim manager. He understands the context of the task and helps to shape the requirement profile. Often the customer has a requirement profile for a permanent position, which the provider then redesigns accordingly. The requirements for the interim manager are higher than those for the permanent manager for the same position. The interim manager has to find his way around from day one and does not have a long training period. He is therefore very often overqualified for the task and is able to solve a challenge in addition to the day-to-day business. The criteria for the requirement profile are industry knowledge, at least 10 years of management responsibility in the sought-after function, methodological and cultural knowledge and preferably several projects in which he has successfully solved comparable tasks.



d) Offer of the provider within 72 hours

The provider contacts interim managers who meet the requirements profile and selects two interim managers who he considers to be the most suitable for carrying out a successful project. In the manager profile, the provider describes why he thinks that this interim manager will successfully solve the task. In addition, he writes the daily rate for the manager and the ancillary costs in his offer. He then personally introduces the managers to his client within 72 hours, first by e-mail and later in a video conference.

e) Service contract

The service contract is the usual interim manager contract in Germany (www.aimp.de). The provider first concludes a confidentiality agreement with the interim manager before talking to him about the customer and his needs. This confidentiality agreement also specifies the fee for the interim manager. If the customer has then opted for the interim manager, the provider concludes both a service contract with the interim manager and with the customer. There is no contract between the customer and the self-employed person. In the service contracts, the task is roughly described. In addition, it describes how intensive the assignment is, full-time or part-time, when it starts and where the location is. The service contract leaves the contracting parties all freedoms. Unlike the employment contract, the self-employed interim manager is not subject to disciplinary

instructions in the service contract. He is free in the organization of his work, his working hours and his place of work. The interim manager needs this freedom to be successful. The customer should express his wishes, but he is not allowed to give orders to the interim manager.

f) Development of a plan

After a short analysis, the interim manager develops an implementation plan with milestones and coordinates it with the client. He communicates daily with the client and reports weekly on progress.

g) Implementation

Detailed communication during implementation with all stakeholders is the ideal way to a successful project. If the permanent managers often only share the bare necessities to keep control of their employees, the interim managers do exactly the opposite. You communicate with all employees, every opinion is important. Everyone should be motivated to help solve the challenge and deliver top performance. In addition, they should learn so much that they can cope on their own after the departure of the interim manager. The Top Interim Manager ensures a transfer of know-how. During the entire project, he will be accompanied by his provider. The provider is also in constant contact with the customer.



Three case studies

The following are three case studies that clearly show which challenges the interim managers solve:

1. INTERIM MANAGER SUPPLY CHAIN & PRODUCTION (Germany, 4 months)

Between August 2020 and December our Interim Manager was given the mission to initiate the transformation Supply Chain & Production towards operational excellence of the main German factory of our client. Targets for his mission were defined in the area of Inventory reduction, production efficiency and industrial On Time Delivery (OTD).

Furthermore, a strong focus on the soft skills, initiating a cultural change & accountability increase was part of his roadmap.

Challenges

The environment in which the Interim Manager was working was a highly manual production, mainly project driven, with strong available technical and product skills, but lacking process views, cross functional collaboration, consistent continuous improvement processes and a lack of individual and collective accountability.

Action

During the last month of his assignment, the Interim Manager was in addition asked to work on the process analysis in view of a new ERP implementation and a production process change from MTS to MTO. He succeeded in a

short time through a fact driven analysis, deep diving in the understanding of the existing disturbances and gathering cross-functional teams around a common operational target to:

- Align the teams on the challenges and a common problem-solving approach
- Implement KPI driven daily performance reviews to identify upcoming disturbances at an early stage and provide quick resolution
- Visual Management implementations for key processes & KPI's
- Increase individual accountability
- Set-up specific processes to manage production disturbances outside the normal production flow

Within the fundamental process analysis, the main process-inefficiencies were identified, and the high level future processes were defined, actions outlined and the transition into the new processes were initiated.

Results

During his assignment the manufacturing output increased by 40% at equal headcount, through waste elimination, stronger collaboration and focus. New operational performing processes in the area of material flow were implemented. A set of meaningful KPI's were identified and implemented to drive process and operational performance.



The Interim Managers work was fundamental to achieve the set-sales targets for 2020 and set the required basis for future process as well as operational improvements. His very hand-on approach and excellent collaboration with the teams allowed to initiate the required mind-set change and increase the individual accountability.

Leading indicators in the area of material management, supply chain and production showed a strong improvement over the period of his assignment. The outcome of his work was transitioned to the newly hired Operations Manager and our Interim Manager ensured future continuity of the basis of the improvements implemented.

Through his structured analysis, his quick understanding of the different key processes, his result and action driven daily work, as well as his strong interpersonal skills our Interim Manager made this mission a great success for our client.

2. INTERIM MANAGER for an PRIVATE EQUITY FIRM (Germany, 10 months)

A Private Equity Company based in The Netherlands took over a 15-year-old production plant in Germany. They hired a German Interim Manager for the implementation of the existing management structure with 4 other production plants in Europe.

Challenges

- Form and lead an Operations Team to improve lead time from current level of approx. 60% to minimum 90%
- Implement a production planning process in cooperation with sales
- Reduce the absence rate of blue-collar people together with HR
- Implement KPI's for the main processes and install monthly reporting to the shareholders in The Netherlands
- Initiate a project to optimize material flow from raw material to finished goods
- Improve the Overall Equipment Effectiveness (OEE) with implementing OPEX methods KAIZEN, 5S, TPM
- SMED with workshops and short-term focus
- Leadership for all functions in Operations until the new COO was starting and hand over the responsibility

Action

The interim manager's first success was to give confidence to the shareholders that things were under control. Quick diagnostic, clear overview of all business aspects, and a clear and precise project plan with budget evaluations created trust and calm. A shared vision of problems and goals was reached and a consent on a short-term business design until a permanent manager was in place reached.



Collaboration with internal and external parties was quickly established and the project proceeded with speed. Outside of some small technical problems, the project followed the schedule perfectly, and the primary customers placed more orders because of improving lead time in the 3 months after the project was started.

Results

The Interim Manager worked 7 months full time and 3 months half time before he leaves with the congratulations of the Operations Team and shareholders. The company organized a grill party for all company staff.

3. BUSINESS DEVELOPMENT MANAGER (Germany & Sweden, 14 months)

Our client, a successful Swedish business with over 200 years of heritage and private owners, rolled out a 10-year strategy into the execution phase. The company has a strong global presence with factories in Europe, US, and China. The electrification disruption in the automotive industry was detected as a major force to substantially grow the business for an innovative material that could enable the auto industry to build electric systems of the future.

Although they developed and marketed the key material for over 30 years, it was still a niche business. The company felt it did not have the appropriate resource, network and

automotive engineering experience to successfully master the step change that was necessary to get out of the niche into the mass market.

Action

Because of the importance of this business going forward in the 10-year strategy, the company reached out for an experienced interim manager who could use the window of opportunity that was assumed to be wide open.

The interim manager started immediately initial discussions with his proven network at car makers and suppliers, offering them opportunity of co-development to evaluate the full potential of this new material for their systems. He quickly learned that the system complexity that needed to be addressed, was a too high hurdle for the car manufacturers, incurring risks that would not allow an introduction in the short term.

But even more, there was no engineering experience in the market for some of the aspects to be considered, and the customers were busy with mastering their projects in the pipeline.

Near-term agenda

- Established a wide variety of new customer contacts to receive a relevant feedback from all areas of the market



- Ordered a neutral market study with the goal to identify and quantify the customer needs as well as the relevant and addressable markets
- Prioritized the further business development activities according to market size and lower introduction barriers
- Defined and presented a project plan to develop and build a demonstrator as a technology showcase
- Suggested an additional pull strategy with the consequence to establish an engineering service business that shall lower the entry barriers for the customers

Results

The company learned that the objectives could not be achieved just by the planned business development activities ("Push"). They would need to add a completely new "Pull" approach, meaning that a material demand must be created in higher levels of the supply chain.

The Group CEO and the interim manager jointly worked out a concept for a new engineering company. The interim manager established the complete business plan. After 9 months into the project, the business plan was presented to the Management Board and was accepted with very positive feedback and some additional thoughts.

The Group CEO tasked his executive team and the interim manager to found a new company that would bring this business plan to life. Three months later the new company was officially founded, and the interim management partner was informed that the company would like to take the interim manager on board. The interim manager was contracted by the Group CEO to lead the build and market introduction phase for the new engineering company.

The feedback received from the client was very positive with high expectations going forward as a result from this interim project. The longer term results have also been good.

About 5 months after the successful conclusion of the business development project, the new company has been staffed with a powerful core team and successfully launched to the market. After another 6 months from public launch, the company presented a highly innovative technology demonstrator during a world leading exposition. On top of this, it launched a new platform business model, which is planned to be the basis scaling and global expansion.



Costs of the Interim Manager

The cost of one working day of an interim manager is between €1,000 and €2,000 plus utilities. The additional costs consist of travel expenses, accommodation and expenses. On average, a working day from an interim manager who is employed by a quality provider costs about € 1,300 plus additional costs. The interim manager advises and implements and his daily fees are often cheaper than that of a consultant. In 80% of cases, the fee for the interim manager pays for itself in less than 12 months.

Acceptance of interim managers in medium-sized industry

The use of interim managers in medium-sized companies is now established. If many entrepreneurs asked 10 years ago what an interim manager does, most of them now know what tasks interim managers can solve. With 12,000 interim managers working at 150 working days a year, there are at least 12,000 projects that last an average of 150 working days. The use of interim managers in these times of crisis, in which the tasks are becoming increasingly complex and the challenge is getting faster and faster in a row, has become indispensable.

53% of interim managers find assignments at companies with up to 1,000 employees and a further 34% at companies with 1,000 to 10,000 employees (Source: Provider Survey 2022 of the AIMP, www.aimp.de).

International cooperation

This white paper is a contribution of SMW's partner Bodo Blanke from AC Alpha Management / Germany.

Senior Management Worldwide (SMW) regularly publishes best practice examples from its partners. SMW is an international group of like-minded specialists of interim management providers. They operate in partnership under common principles and standards of excellence. Each partner helps organizations solve critical management issues and influence business outcomes. SMW offers the strongest and deepest network of leading interim executives available anywhere in the world. They combine global reach with local knowledge. With their combined reach and experience, the 25 partner countries offer a wide pool of interim and independent executive professionals across the world.

Wondering how we can help your company?
Contact the SMW partners in your region:
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