

Interim Management

SOS for companies

Restructuring via Interim Management is expensive and usually painful because of radical cuts in the organization and in the operations of the company. But the improvement in financial results and the share price jump on the stock exchange are the best reward for management as well as for the local society.

Ivana Petrović

The fact that directors cannot always help their companies and that good advice should be paid for is being slowly acknowledged by domestic companies. The map of consulting companies in Serbia is becoming more and more dotted, especially after announcements made by globally-recognized companies whose engagement can only be afforded by business giants. For example the global player McKinsey, which has a vast palette of services, is planning to open an office in Belgrade towards the end of this year or at the beginning of next year. Nevertheless it is quite difficult to find consultants whose primary activity is Interim Management (IM). This fact doesn't relate to this region only, but also to all of Europe.

An aside

Interim Management is the delivery of top or mid-level leadership to a company in times when support is needed immediately to fill intentional or unexpected gaps in a management team. Interim Management

IM is a solution when the company has difficulty in finding qualified staff, either prior to a divestiture or for the launch of a high-risk new venture

can also be used in situations where it would be difficult to find immediately qualified staff prior to a divestiture or for the launch of a new high-risk venture. While regular consulting companies have high specialization in a selected area, Interim Management companies can mobilize a team of for example five senior managers who are ready to be Interim Managers in one assignment and can

Interim Management Scope of Work

- Providing top and mid-management
- Providing qualified staff for new business challenges
- Restructuring
- Rapid finalization of project
- Optimization of the business (reduction of costs, better utilization of company's resources, both human and technical, implementation of Management Architecture)
- Creation of sales tools (planning, market analysis, creation of strategy for entering new markets)

support it with a team of consultants.

Depending on the type of assignment the team may expand to fifteen people. An example of such a company in Serbia is the international Interim Management Company Kolaja & Partners. In its client portfolio the company has very well-known European companies. In Serbia they are well known for post privatization restructuring of the Brewery Celarevo (now Carlsberg Serbia) as well as for the optimization of processes for the famous domestic juice producer Fresh&Co. At this point they are discussing assignments with a number of potential clients in diverse industries. They are planning to open a Belgrade office towards the end of the year. Ewa Rytka, Executive Director with Kolaja & Partners, points out for Economist magazine that it is hard to determine the competition between Interim Management companies. Practically no competition exists in Europe, stated Rytka. The companies that are most similar by concept are Alvarez & Marsal, and Alix Partners in the USA.

Interim Management is not sitting in a fancy office and presenting analysis and recommendations to the management of the company in need. To be more precise, after the team of Interim Managers effects

the initial strategy which in the case of Interim Management is called an Operational Audit, an implementation of the given recommendations is initiated together with the client at their factory, so the Interim Manager would be sure that the recommendations do "work" in practice. "If the need occurs we negotiate with suppliers, labor unions, or verify why production stopped. We optimize key processes ensuring the company is not spending too much," illustrates Ms. Rytka.

Companies that can afford Interim Management are those with yearly revenues of Euro 30 million

Only for the great ones

Engaging an Interim Manager does not mean that the company that hired their help is in liquidation or approaching bankruptcy. To the contrary, Interim Managers, often help their clients in development of the business by launching new products or developing sales networks. In other words, the company does not necessarily have to be in trouble to use Interim Managers.

Before an Interim Manager accepts the project it is thoroughly analyzed whether the service will pay off. "Our goal is not to take the money, but to help the company be more effective", underlined Ms. Rytka. An evaluation of the impact such support may have on the company is made in the Operational Audit. We assess potential savings and the viability of an Interim Management appointment.

As Ms. Rytka stated, companies that can afford more comprehensive Interim Management are those with revenues that can sustain Interim Management, companies with yearly revenues of Euro



Photo from archives

Interim managers are not necessarily liked, but they are useful

30 million. Therefore small companies would rather work with an individual advisor or manager; or maybe a business angel who is ready to support the company financially and at the same time to manage it.

"An Interim Management Project usually lasts from six to eighteen months and it might be expensive, but the achieved results in companies using Interim Management speak for themselves. Depending on the type of client we are working for, our team can realize savings from 5% to 15% of costs," explains Ms. Rytka.

The price of engaging an Interim Manager highly depends on the region and the condition the company is in. In short: the higher the risk, the higher the price. Very often, the earnings of the Interim Managers are linked to profit achieved. In some cases the work effected by Interim Managers is paid in equity. Whereas positive change for the client is noted, Interim Managers will benefit from the stock price increase.

Problems

Kolaja & Partners' experience in Eastern and Central Europe indicates that companies usually ask for help from Interim Managers when the market pressure

The price of engaging an Interim Manager highly depends on the region and the state the company is in; in short: the higher the risk, the higher the price

provokes them to implement changes that would help their company stay competitive and actively fight with growing market competition. Growing competition within a sector often results in lowering of prices, and the company has to find a way to maintain their profit margin in such market conditions.

There can be two types of involvement of an Interim Manager: support in optimization of the company's operations or support in development of sales tools. Quickly growing entrepreneurial companies usually at a certain stage need support in creating organizational structure to back up their growth.

What is common for companies', good

ones and those less effective is that the change process is difficult. The restructuring process is also a change in the ways the organization was operated until now. These types of projects create uncertainty for the employees of the organization and a great deal of stress occurring from engagement of Interim Managers.

"Whenever the company is in trouble, employees sense the perspective of loosing their job. This is a serious problem for factories in small societies that feed a third of the town. For them restructuring doesn't usually bring relief but frequently loss of a job," says Ms. Rytka. Communication is crucial for dealing with an uncomfortable atmosphere. Owners or managers of the company have to adequately communicate the situation within the company, the goals of the restructuring process as well as expected short and mid-term outcomes of the process. At the same time, the existing management has to be reassured that the role of the Interim Management team is not to prove their incompetence but to improve the business of the company. "I am aware of the fact that we are not the most favorite people in the company, but when the process is over the management and employees receive us with a smile that is the greatest sign of friendship," confesses Ms. Rytka. x