

The Interim Management Report



New perspectives of business in South Africa

CYCAN Interim and Beyond

CYCAN



Contents

Executive Summary	1
Research aims and methodology	3
Defining Interim Management	5
The value of Interim Management	7
The need for Interim Management	10
The Interim Management Practitioner	13
Succession planning	18
Important factors in selecting an Interim Management Practitioner	20
Business initiatives	21
Conclusion	23



Executive Summary

Interim Management is recognised as a proactive business solution and alternative method of engagement in the UK, Europe, the US and Australia. It encompasses all aspects of organisational restructuring, including the fast-paced requirements of change management, mergers, acquisitions, start-up, turn around, or disposal.

Although South Africa has only recently begun to utilise Interim Management, the economic climate has proven to be a key success factor to the introduction of Interim Management in South Africa. 'Burning platforms' have been exposed in business, organisations have quickly identified where experience and expertise is lacking, more Interim Management Practitioners have been available and many consultants have entered into the Interim Management network as an alternative channel for engagement.

However, reliable measurements of the benefits of Interim Management are not easy to come by. Realising this, we conducted extensive market research, both among users of Interim Management as well as Interim Management Practitioners themselves. This report presents the results of that research. We believe the report reveals interesting perspectives on Interim Management, not only for companies that are already familiar with the service and for current Interim practitioners, but also for companies that have yet to discover the untapped resource of Interim Management.

This is the first report on Interim Management in South Africa and the results show that Interim Management is rapidly becoming the choice of niche executives and established professionals who seek more diverse and exciting challenges and the greater rewards that interim assignments provide. Business leaders on the other hand indicate the need for talented senior executive management and leadership to steer companies through the current turbulent times.

Our initial assumption that a fully integrated talent management approach is a key differentiator has been confirmed. The survey reveals that businesses are realising there is an alternative to permanent employment at senior and executive levels, at no risk to themselves and without compromising professionalism and outcomes.

The majority of client respondents indicate that Interim Management provides a much needed short-term injection of skills, and that assignments requiring specialist project management could be handed to Interim Management Practitioners. The growth of Interim Management is also driven by business turnaround, change management and critical business solutions.

One of the most interesting aspects of the survey relates to succession planning. Almost half the client respondents have not given thought to succession planning, leaving them exposed to a variety of risks and concerns when there is an unexpected departure of a key individual.

And finally, the need for effective business initiatives reveals that clients seek Interim Management as an investment opportunity that offers reliable returns, provides solutions to short-term problems and ensures the development of long-term strategies. As companies exit the recession, limiting costs while making investments isn't easy. It is not always necessary to employ senior resources on a permanent basis.

Research aims and methodology

Having seen a positive and quick response to Interim Management against the current economic backdrop, CYCAN Interim and Beyond decided that research was necessary to obtain a deeper understanding of the need and use of Interim Management in South Africa: why and how Interim Management is engaged, and also what sort of climate exists for Interim Management as we move forward.

Despite its solid foundation overseas, Interim Management is still somewhat underutilised in South Africa and it is often confused with the concept of consulting. We hope that this research will increase the level of understanding and awareness of Interim Management as a distinct and entirely separate service in its own right.

Aims and objectives

The aim of our research covered a multiplicity of Interim Management-related factors, motivations and influences and emphasised the need to answer several questions:

- In which business sectors is Interim Management most active?
- What are the reasons/key factors for businesses opting to engage Interim Management Practitioners?
- What skills do businesses struggle to attain or replace?
- How do businesses respond to succession planning, and are they equipped to deal with resignations of key stakeholders?
- What differentiators do businesses look for when selecting an Interim Manager?
- What are the perceived benefits, according to businesses and practitioners, of Interim Management?
- At what level does Interim Management typically operate?
- How many days a year on average do Interim Management Practitioners work and are assignments typically full time/part time?
- Has the South African market adopted part time engagement as other regions have?
- Can the earning potential of Interim Management Practitioners be benchmarked against daily rates and varying job functions?
- How do Interim Management Practitioners source their assignments?
- What is the average duration of an assignment?
- Can Interim Management Practitioners be leveraged as an alternative source of candidates for permanent roles?
- To what extent is Interim Management an effective alternative to consultancy?

Methodology

To obtain information about Interim Management that is relevant and applicable within the context of the South African economy and business environment, a three-month long survey was conducted, calling on the experience and expertise of executives across various industry sectors.

CYCAN has established an extensive network of South African senior-level talent over the past 25 years under the leadership of Business acceleration expert Bryan Hattingh. This network formed the pool of knowledge from which the insights presented in this report were drawn. The response was massive: over 300 business leaders and Interim Management Practitioners participated in the survey.

The survey was presented as an online questionnaire, giving respondents the flexibility to explore the questions in their own time without being pressured or rushed. The survey was divided into two sets of questions, one pertinent to businesses and the other specific to practising Interim Management Practitioners.

To avoid limiting the responses, we allowed a multiple selection of answers. This is the first Interim Management survey to be presented to the South African market and we have sought to engage and encourage as much dialogue as possible.

If one can pinpoint the reasons for any organisation surviving these tough economic times, we believe that two of the most significant are depth of the client-provider relationship or the ability of an organisation to move with rapidly changing times. Interim Management undoubtedly encompasses both.

Defining Interim Management

Interim Management is the positioning of world class executives, business leaders, professional managers and industry specialists to achieve high impact in predefined roles or objectives within a defined time period.

Interim Management Practitioners are typically engaged at short notice for short- or medium-term high-impact roles. These roles can incorporate the execution of project management, planning and implementing change, specific executive functions and mentoring and skills transfer. Assignments usually vary in length from three months to three years and can be tailored to meet individual company needs - even on a part-time basis if required.

For business leaders who have yet to encounter these professionals, the boundaries between Interim Management and Consulting are not always clear cut. However, those who have tapped into the benefits of Interim engagements know that the differentiator is simple: Interim Management Practitioners assume executive accountability for the seamless delivery of predefined objectives and expected outcomes. Key roles include Directors and Assistant Directors, Heads of Service or Heads of Department, Operations Managers, Project Managers and Programme Managers and Industry Specialists.

Perhaps the greatest cause of ambiguity in this regard is that Interim Management Practitioners often offer additional services as Specialist Consultants. A recent study conducted in the UK revealed that, while only 16% of their respondents operate exclusively as Interim Management Practitioners, 65% reported that they spend more than half their time as Interim Management Practitioners, compared with 28% who spend more than half their time as Consultants.

Interim Management Practitioners are skilled professionals operating at a high level. They tend to be somewhat overqualified for the assignment, but this enables them to bring a superior level of experience and skills when rapid results are required. They are also able to 'hit the ground running' because they have developed the ability to quickly pinpoint and understand the needs of a crisis situation. Interim Management Practitioners offer additional support and expertise during times of change or challenge, even when these are not predefined in the key performance indicators.

Interim assignments vary greatly in their scope and content. They typically include:

- Managing the organisation through a major change or transition at any kind of inflection point – for example, a merger, restructuring or sale of a company

- Managing functions to fill a short-term skills gap or when unplanned departures place additional strain on the business
- Turning around businesses and organisations in crisis
- Delivering key projects
- Mentoring employees who have been identified for specific leadership positions
- Facilitating a desired change in business culture
- Managing business development

We strongly support the notion that Interim Management Practitioners are not to be considered as temporary employees. They are professionals in business in their own right, with the risks and rewards that this implies. They are responsible for their own arrangements, such as medical aid, pension/provident fund, and usually carry their own professional indemnity insurance.

The Value of Interim Management

Every sustainable business seeks top- and bottom-line growth to enhance profitability and Shareholder value. Delivering this growth is not always easy, and bringing permanent new executives into the company is both expensive and time consuming.

We asked business leaders to identify what they perceive as the most important benefits of an Interim Management Practitioner.

Figure 1 shows the results of responses from business leaders currently or previously using Interim Management. It is clear that the ability of Interim Management Practitioners to bring new perspectives (whether on strategies or operations) to the company is valued highly. This ties in well with the evident need for innovative solutions in today's quick-sand business environment. Objectivity and not being weighed down by company politics also rank significantly as well as the wealth of experience and subsequent skills that Interim Management Practitioners contribute to the company.

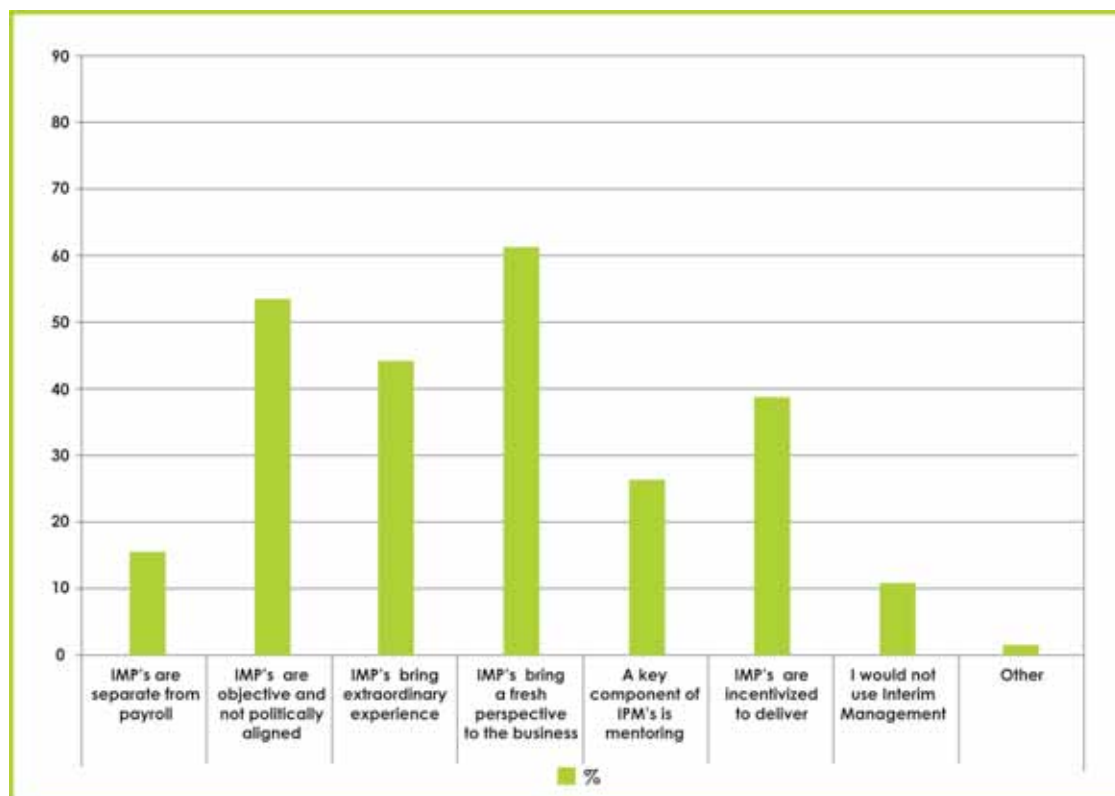


Figure 1: Benefits of Interim Management according to business leaders

How Interim Management Practitioners themselves perceive the value of their contribution to organisations correlates well with the clients' responses. Of the Interim Manager respondents, 71% clearly regard their greatest benefits as their ability to bring fresh perspectives to the business, with slightly higher indicators for adding value and having a measureable impact on the company – indicating an alignment with business clients. However, Interim Management Practitioners also place a higher value compared with business leaders on their role as mentors and as expert facilitators of organisational change.

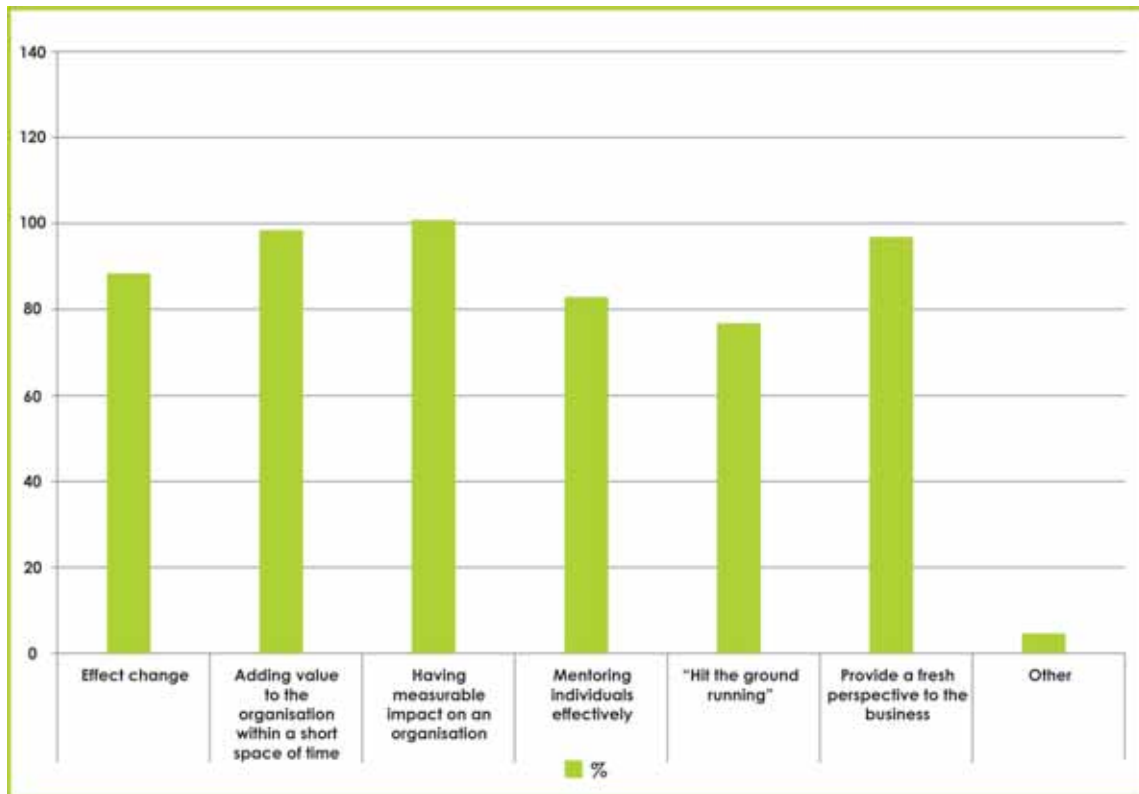


Figure 2: Benefits according to Interim Management Practitioners

CYCAN's observation

Many companies find themselves facing change at a disturbing rate. Whether it's a unique project, organisational restructuring, a relocation, the loss or long-term absence of a key executive, these requirements can overwhelm an organisation with limited resources.

Over the past 18 months, we have seen Interim Management Practitioners prove themselves capable of delivering focused projects that truly create shareholder value. They have significant experience in diverse and demanding environments, and can contribute rapidly and effectively to achieving growth.

An Interim Manager adds value by:

- Being available to start at short notice, often within a matter of days
- Contributing to business solutions from day one
- Focusing specifically on the business needs, as he/she is not concerned with career issues
- Providing rapid resolutions to issues and delivering results with lasting benefits
- Being dedicated to the client and the task at hand
- Being highly qualified or reasonably over-qualified with an emphasis on

providing transferable skills that have been refined and proven in practice

- Being a low-risk and highly cost-effective resource
- Contributing a balanced external perspective and objective overview
- Being sensitive to the need to communicate with all relevant stakeholders
- Establishing a defined entry/exit procedure
- Ensuring confidentiality is a key asset of an Interim as their continued success in gaining assignments depends on satisfied clients

Interim Management Practitioners are only retained for the defined project or period of time and our clients have reported that their contributions are significant and long lasting. In some cases, assignments have been extended or Interim Management Practitioners have been reassigned to new projects within the company.

The Business Imperatives for Interim Management

There are a number of reasons Interim Management is gaining demand, but two areas in particular appear to be significant drivers: shortages in skills and strategic project management. Companies often initiate defined projects for which the skills and expertise do not exist within the company, yet increasing permanent roles is not a viable or cost-effective option. Here Interim Management Practitioners, who offer the required expertise, present an alternative resource option. They can be brought in to direct and deliver a specific assignment without being placed on permanent payroll.

In our survey, 60% of client respondents reflect that Interim Management provides a much needed short-term injection of skills, and 63% indicate that assignments requiring specialist project management could be handed to Interim Management Practitioners. Moreover, business turnaround (50%), change management (49%) and critical business solutions (51%) also feature as reasons behind the growth of the Interim market.

We asked Interim Management Practitioners to indicate what type of assignments they had undertaken during the 12 months prior to the survey. It is interesting to note that in critical business solutions – being urgent and fundamental requirements key to a company's success and sustainability – scored far higher than skills shortages, indicating that the South African market has yet adapted to the use of Interim Management as a strategic intervention. The need for placements in strategic projects is clearly within the realm of Interim Management solutions, and we expect that as this resource becomes more recognised, business leaders will follow through with such assignments.

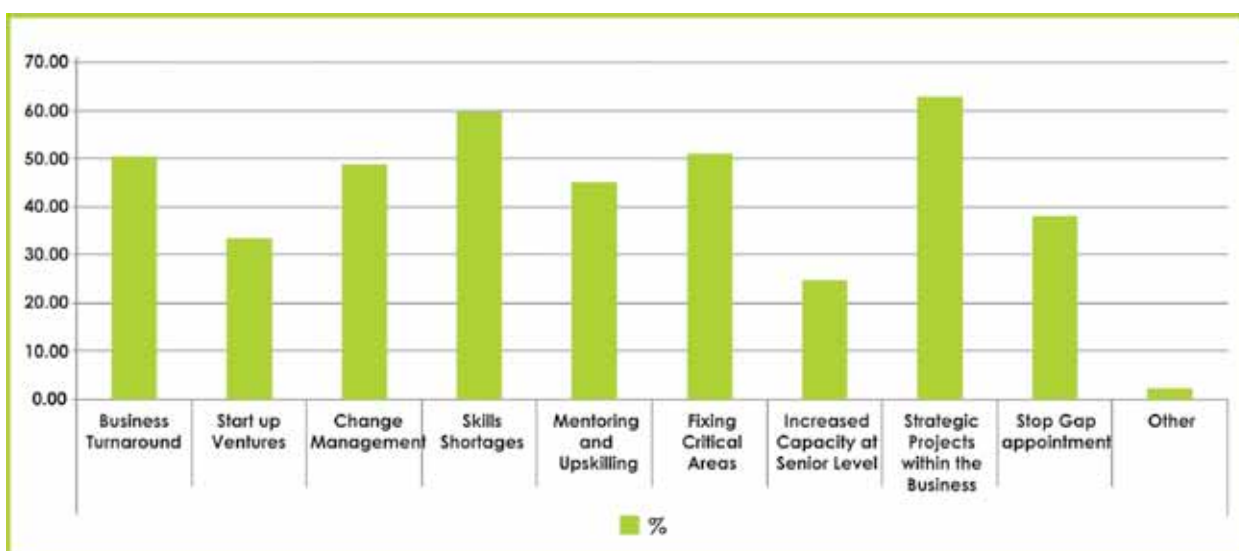


Figure 3: The need for Interim Management perceived by client respondents

Figure 4 reflects that Interim Management Practitioners are not used merely as 'gap-fillers' with only 13% engaged for this need. The average spread of actual engagements across business turnaround, change management, mentoring and up-skilling and increasing executive capacity shows that Interim Management Practitioners cover a broad spectrum of requirements.

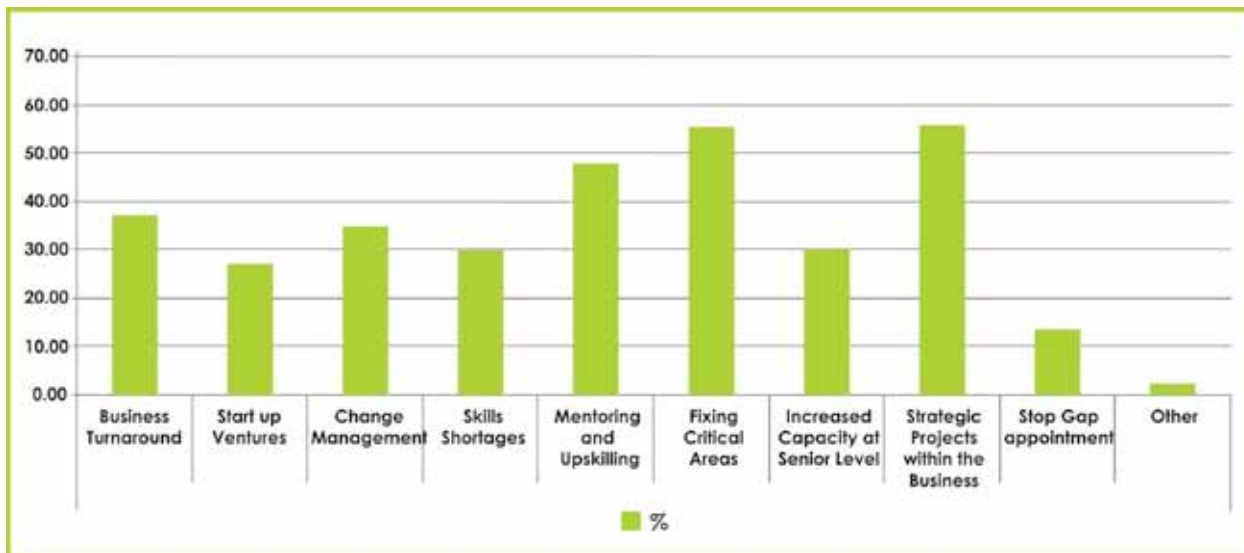


Figure 4: Interim Management assignments

CYCAN's observation

The survey resonates with CYCAN's experience in that there is more than one reason for engaging an Interim Manager. Based on their senior level of experience and expertise, Interim Management Practitioners are able to address a number of business needs at once. We have seen that mentoring and up-skilling within the organisation forms part and parcel of the assignment and is an automatic requirement or expectation.

Over the past 18 months, 42% of CYCAN's Interim Management placements have been to fulfil the requirement of a specific skill lacking in the business and 29% have been engaged to drive a strategic project. Change management encompasses 14%, while critical business solutions encompass 10% of our assignments.

Industry sectors

Interim Management is most active in the financial services and IT sectors, as shown in the graph depicting business operations of the client respondents (Figure 5). It appears that the market growth in other sectors is still slow and this is largely the result of the lagging trend in South Africa.

However, CYCAN's network spans all industry sectors, relying on established relationships with trusted and talented executives who have diverse portfolios. We have found that financial services accounts for 43% and construction accounts for 36% of our assignments.

In recent months, we have also seen more of a demand in both IT and Telecommunications. We believe that the Interim service is not limited to these industries in any way and that as Interim Management is grasped across the board, a greater spread of engagements will be seen.

The distinction between areas of expertise and industry sectors also needs to be made. That the financial services sector has embraced Interim Management does not imply that the placements specifically involved key financial roles such as Financial Directors or Analysts. In fact, more often Interim assignments involve other operational roles, such as Procurement or Sales Executives. The high level of skills and knowledge of an Interim portfolio means that the Interim Manager is able to engage in projects across various sectors (refer to the section Areas of expertise under The Interim Manager).

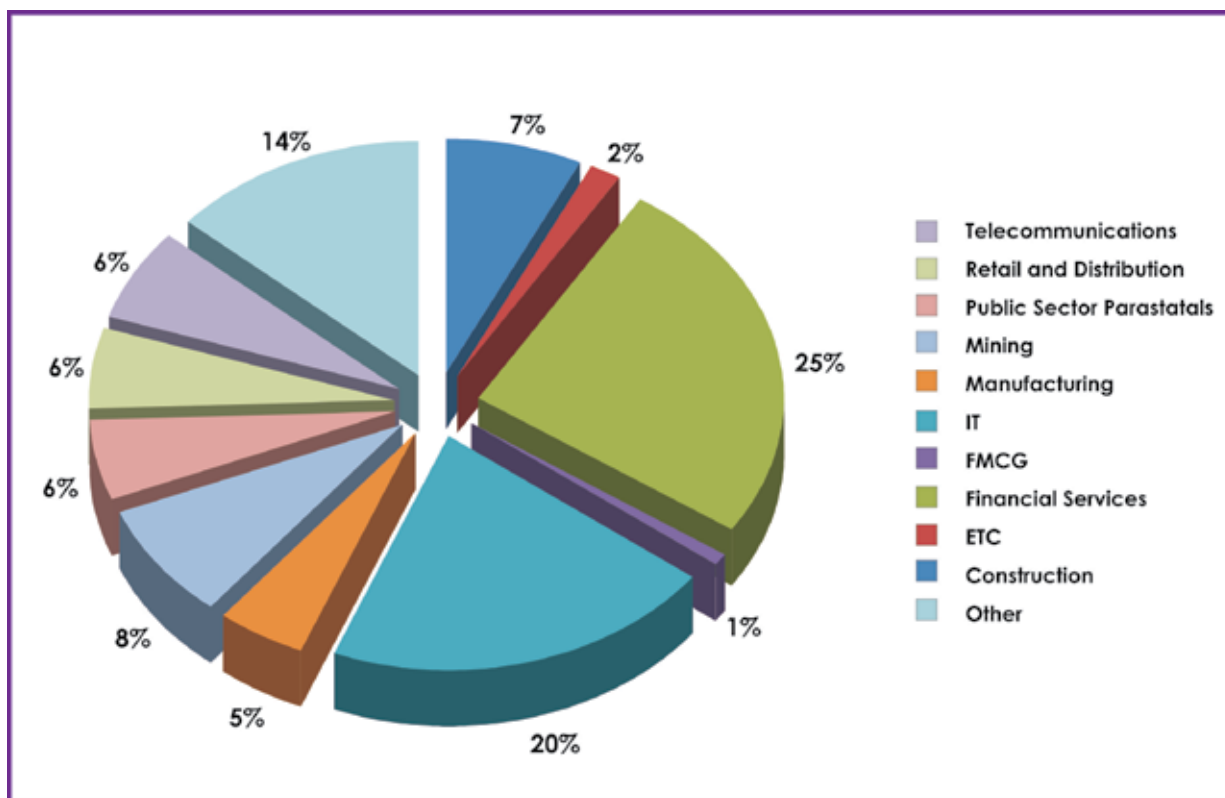


Figure 5: Industry sectors utilising Interim Management

The Interim Management Practitioner

Having determined business needs for Interim Management and activity across various industry sectors, it is also pertinent to take a closer look at various aspects of the Interim Manager.

Interim Management allows executives to remove themselves from the constraints of the permanent job market in favour of assignments that offer more diverse challenges, rewards and a greater degree of flexibility. While the nature of Interim Management is one of fixed-term projects, it is a recognised full-time profession, and cannot be viewed as a 'between jobs' activity.

The focus is more about delivery and outcome, rather than the need to be present at work every day. Interims thrive on being faced with complex business challenges and the chance to make excellent use of the skills and experience that they have gained during their career.

As the benefits perceived by both clients and Interims have revealed, they also have the advantage of not being pulled into company politics or having to follow traditional ways of working, leaving them free to make a positive and lasting impact on the business.

Areas of expertise

Figure 6 reflects the areas of expertise indicated by the Interim Manager respondents in our survey. More often than not, Interim Management Practitioners have gained experience in more than one area (which is clear from the graph in Figure 6) and across more than one industry sector. One of the greatest concerns that clients often mention is that Interim Management Practitioners can be over-qualified for a particular assignment. Interim assignments typically require niche skills and a portfolio of success and abilities.

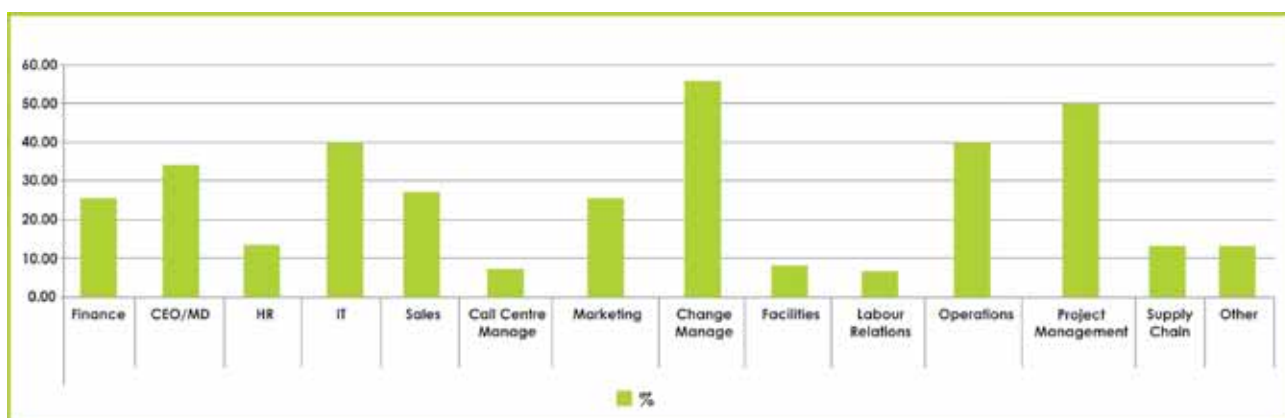


Figure 6: Interim Management Practitioners' expertise

Interim Management Practitioners versus Consultants

When companies want to improve performance output or realise the need to reinvent themselves, they often turn to consultants for an external assessment. Consultants often provide a thick document full of the underlying issues that the company already knows. These companies would have fared better appointing an Interim Manager from the beginning. Apart from assessment and recommendation, Interim Management Practitioners are also responsible for executing on the mandate.

The views of clients on whether Interim Management Practitioners are a more effective alternative to Consultants are significant and show that only 8% of the business leaders surveyed disagree with this notion, while 56% feel that the greatest distinguishing factor is that of implementation. Overall, more than 40% indicate that Interim Management is more effective as shown in Figure 7.

Interim Management Practitioners not only develop the solution, they become the solution. The most fitting analogy is the old adage of the pig's commitment and the chicken's involvement in wanting to make a ham-and-eggs breakfast for the farmer: the chicken eagerly provides the eggs and so is involved, but the pig is committed – it becomes the ham.

There are some aspects that cross over in that, like Consultants, Interim Management Practitioners provide strategic capability, analysis and planning, thought leadership and an independent and objective point of view. However, in addition Interim Management Practitioners are hands-on implementers, driven by predefined milestones as well as being loyal to and focused on the business objectives.

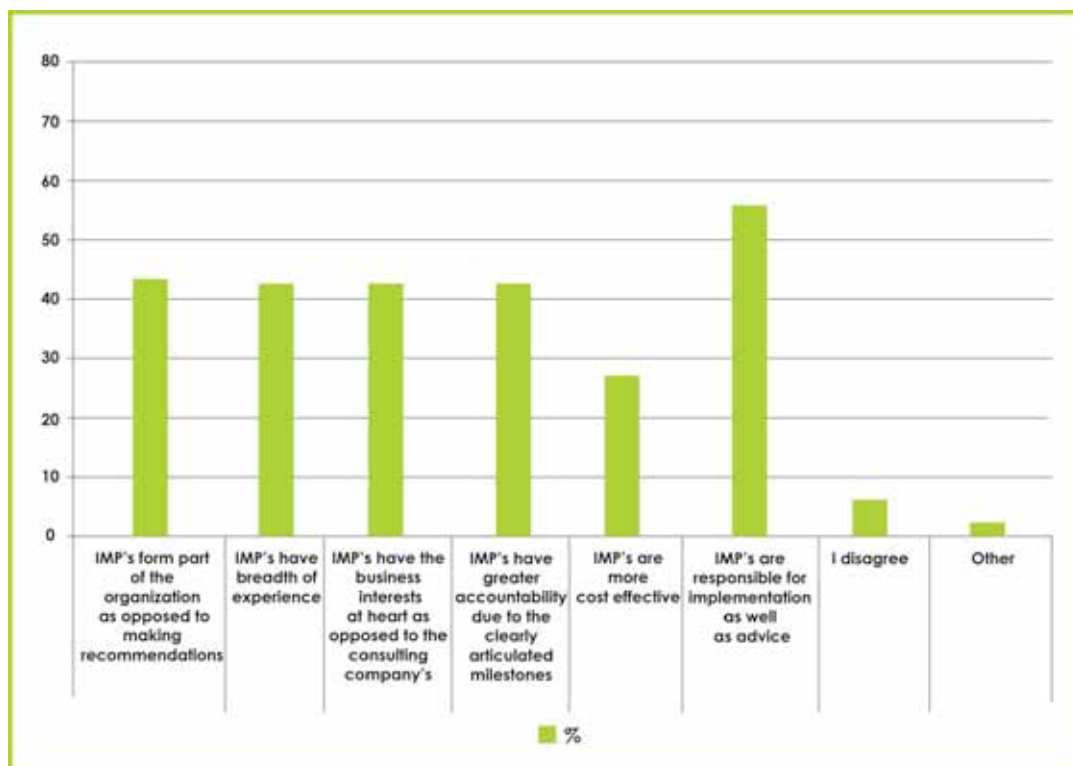


Figure 7: Clients' views of Interim Management in relation to Consulting

The predominant experience of Interim respondents in Figure 8 shows that implementation (83%) and forming an integral part of the organization during their engagement (71%).

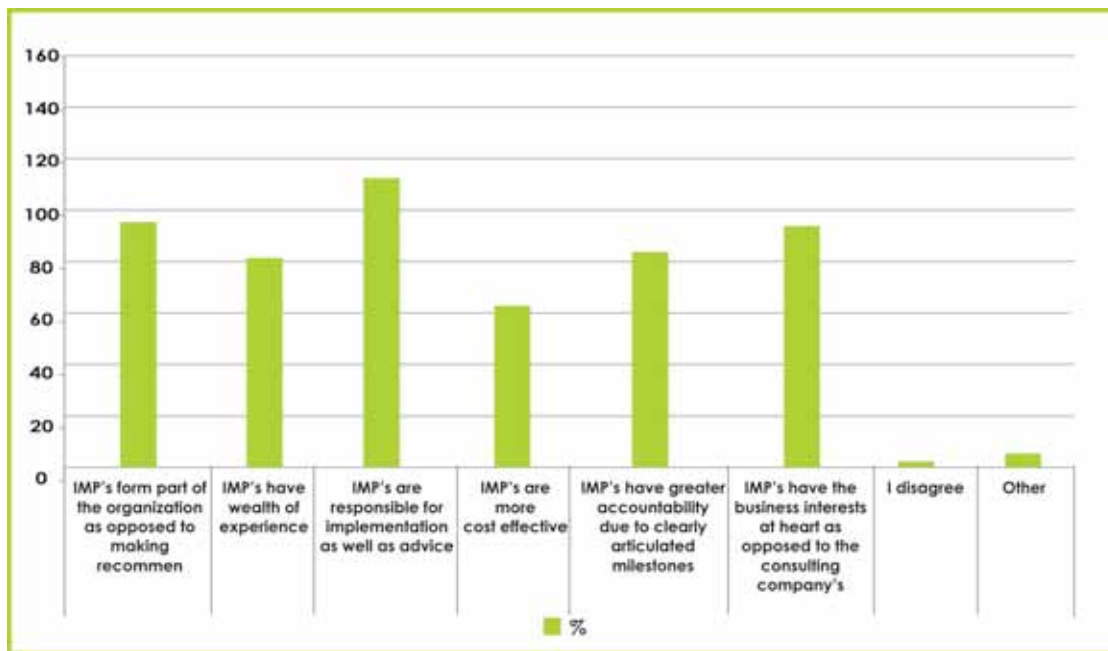


Figure 8: Interim Management Practitioners' view of their field in comparison to Consulting

Average length of assignments

Figure 9 reveals that over 40% of Interim Management Practitioners surveyed have worked on assignments that last several months, as opposed to a few weeks or even a few years. This shows that an Interim Manager can provide the time needed to transfer skills and knowledge, is able to add value within an organisation however is only retained as long as he or she is needed.

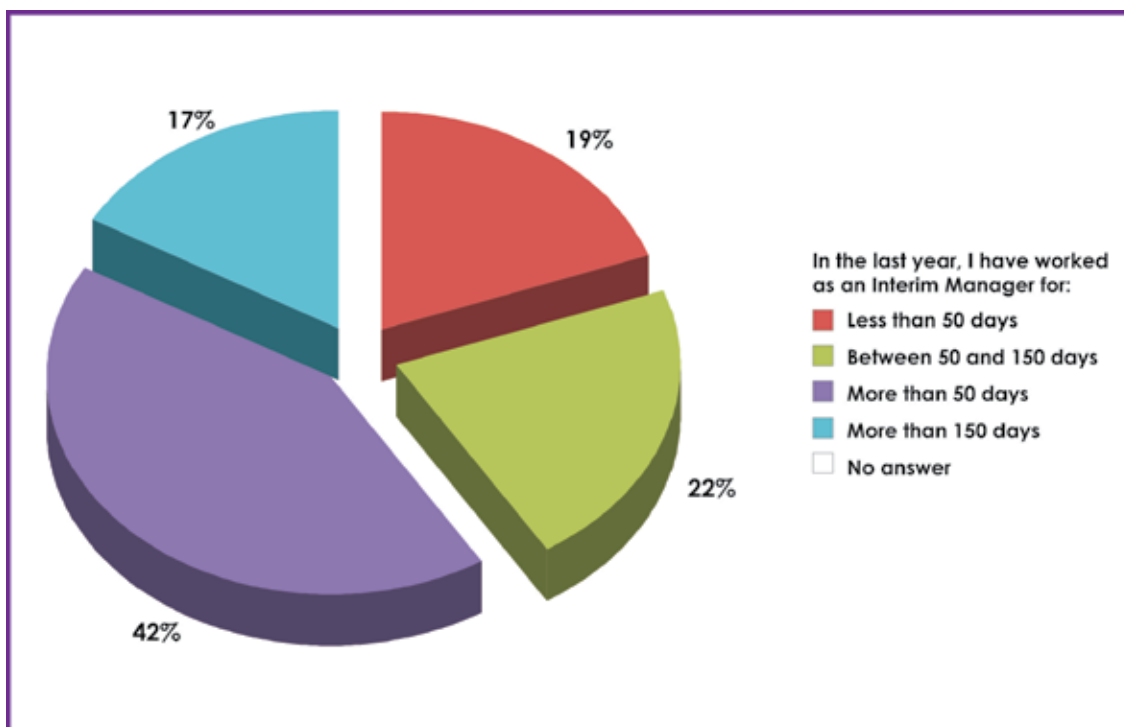


Figure 9: Average length of Interim assignments

The nature of Interim engagements

More than half of the Interim respondents have been engaged in full-time assignments, while around one third of the respondents indicate the flexibility of working part time and being able to structure their work so that they can serve more than one client (see Figure 10). The client in turn has the flexibility to engage an Interim Manager only to the degree that he or she is required.

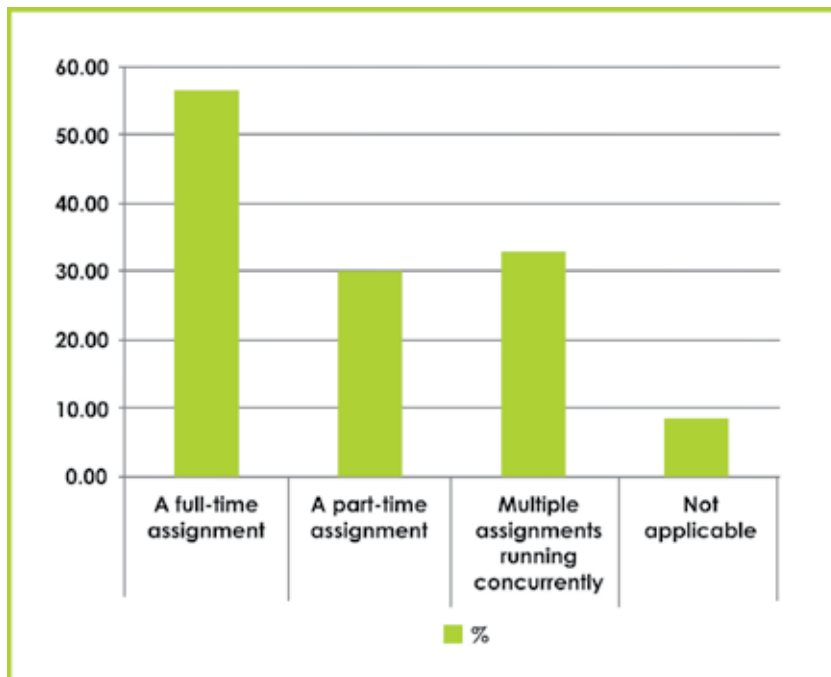


Figure 10: Work patterns of Interim Management Practitioners

Average daily rates

The cost of an Interim Manager varies dramatically between assignments and is dependent on the requirement of the Interim role as well as duration and risk level involved. We wanted to present some idea of the levels at which they operate. The chart in Figure 11 provides a break down.

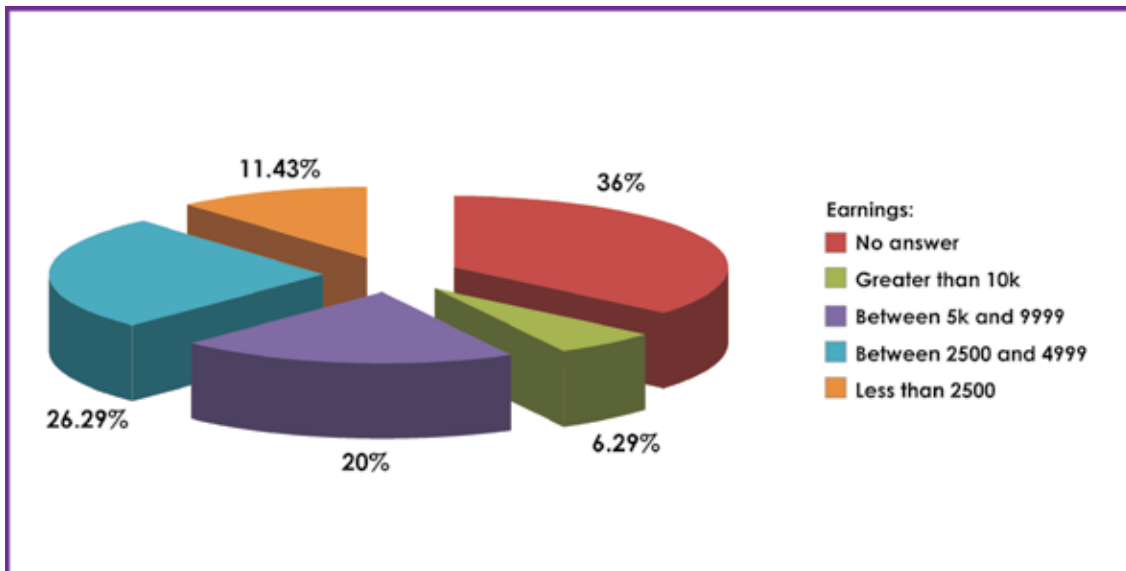


Figure 11: Average daily earning of Interim Management Practitioners

CYCAN's observation

In making use of Interim Management, companies can benefit from a flexible, professional resource, with the ability to make changes and solve problems rapidly. We have seen how this enables a company to develop in a way that is optimised to the true business needs and move ahead of their competitors. Progress is not limited by the skills of the permanent team members, and the Interim Manager is only retained as long as he or she is needed.

CYCAN's experience to date is as follows:

Average length of assignment:

- Less than 50 days – 19%
- Between 50 and 150 days – 5%
- More than 150 days – 57%

Work pattern of Interim Management Practitioners

- Part time – 5%
- Multiple assignments – 10%
- Full time assignments – 86%

Business has enjoyed the ability to engage Interim Management Practitioners for a shorter period, with an average of 150 days and the option to extend if needed. This is as a result of two key factors: a 'try before you buy' approach, and more importantly, at the outset, if clients are not fully aware of the detailed requirements of the assignment, the Interim Manager has the scope to establish these details within the first week of engagement.

Seamless Succession planning and expedition through Interim Management

Despite experiencing unexpected senior executive departures, many companies are unprepared for this risk. In Figure 12, at least 41% of clients surveyed admit that they have not given thought to succession planning. Often the plan is to simply work within the departing executive's notice period, however this does not account for executives who leave due to illness or other issues that necessitate an immediate departure. Even if the required notice is given, traditional recruitment can take up to four months, or longer where specialist skills are sought, and then one must factor another three to six months for the replacement to get into the swing of business operations and contribute fully.

Senior roles are difficult to fill at short notice. Most business leaders would prefer to have the time needed to find the best possible replacement. As this report has revealed, Interim Management is an ideal solution in such cases. Companies can make full use of the Interim Management Practitioners senior skills either until the permanent replacement is sourced or as a means of mentoring a less experienced employee into his or her new role.

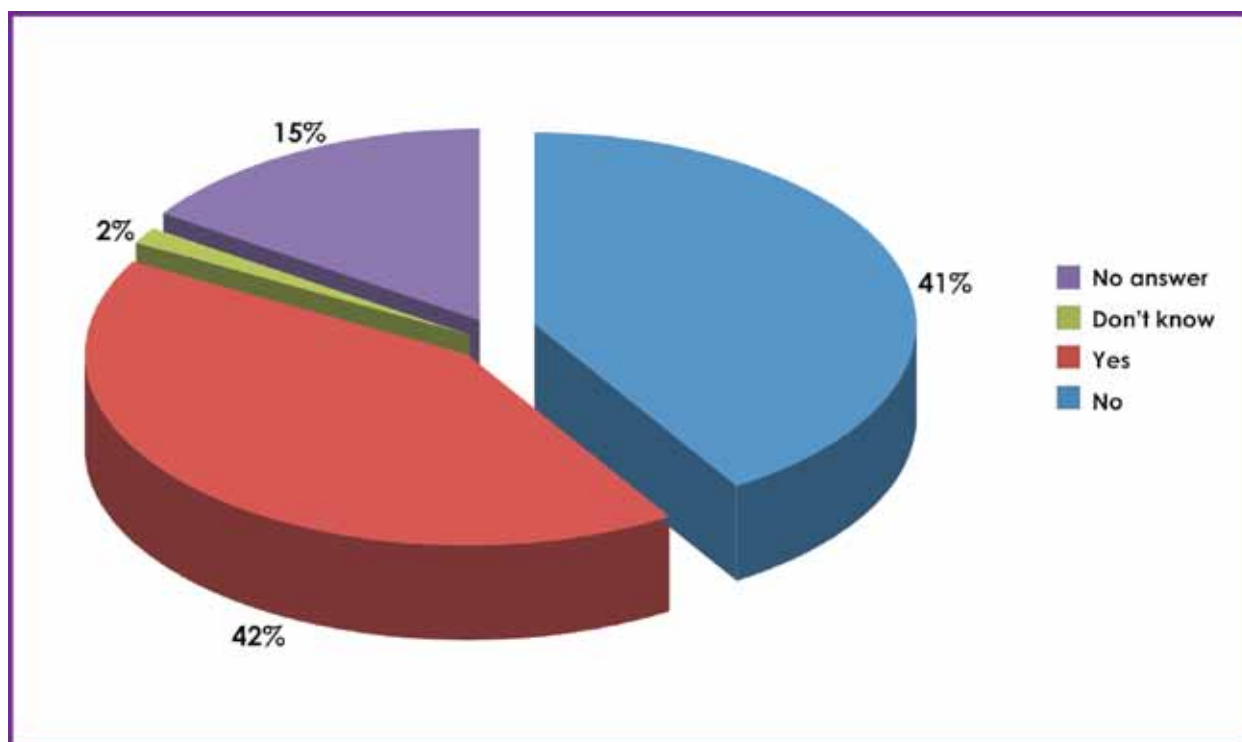


Figure 12: Succession planning for senior executives

The cost of not using Interim Management

Sudden departures can have a wide scale impact on various other aspects of the business. More than half the client respondents say that the effective use of time and production of other executives can be compromised if they have to scramble with the additional workload. Worse still, more than one third indicates that projects and pipelines will be interrupted or that a drop in sales could result.

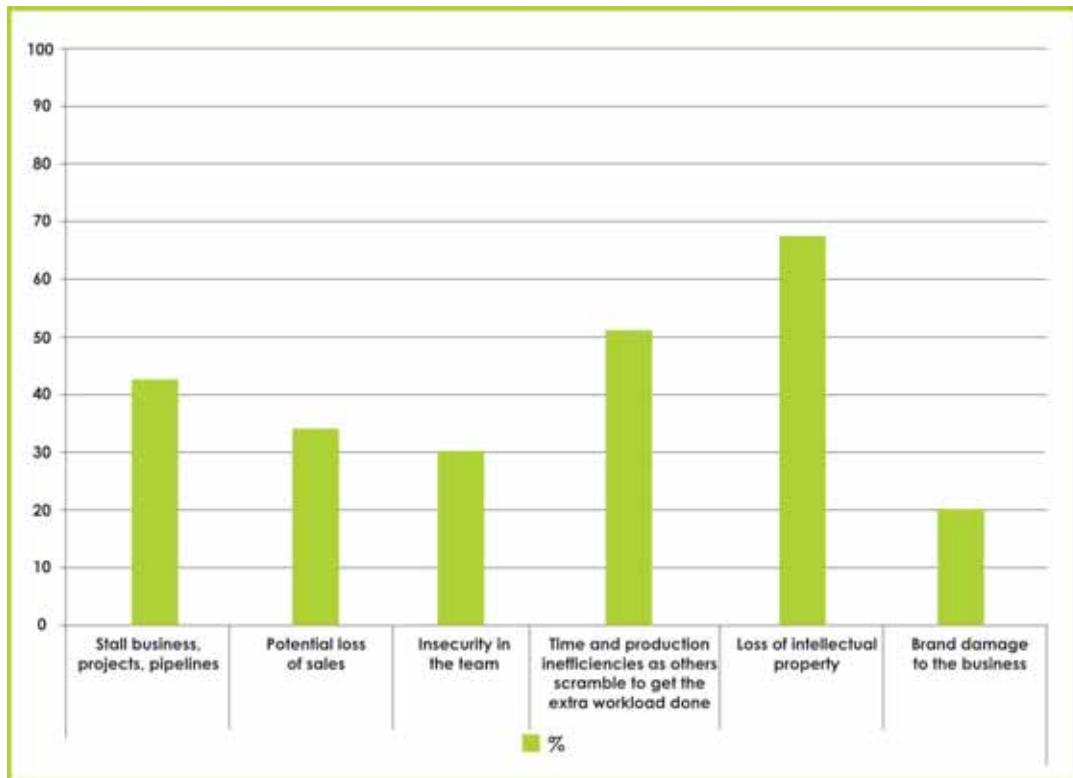


Figure 13: The effects of senior executive departures

CYCAN's observation

A sudden departure can have an immensely detrimental effect on the company and yet the general lack of contingency planning indicated by our survey echoes what we have found when consulting with new and potential clients: succession planning is often left until it becomes a matter of urgency.

We have also worked with businesses that have proactively identified the succession planning advantage that Interim Management offers and that have engaged it accordingly for their executive teams. We have been further encouraged by those forward-thinking organisations that have used Interim Management as a tool to enhance and mentor their defined succession model.

The loss of senior talent and subsequent workload compensation denoted in the survey correlate with the positive response to Interim Management that CYCAN has experienced since its launch because Interim Management Practitioners are able to engage immediately and are able to hit the road running. They are also typically overqualified for the role and so the sudden exit of a key resource is mitigated.

Important factors in selecting an Interim Management Practitioner

Deciding whether or not to engage an Interim Manager is a decision that all potential clients will naturally want to explore carefully. It is of course vital to ensure that the right Interim Manager is selected.

We asked business leaders what aspects they believe require consideration. As Figure 14 depicts, years of experience (40%) is far less significant in comparison to a proven track record of accomplishments and demonstration of skills (71%). It is interesting to note that, even though the overly-qualified nature of an Interim Manager often means that they can transfer their skills across industries, 68% say that industry-specific experience is still important, while 48% seek diversity in an Interim Management Practitioners portfolio.

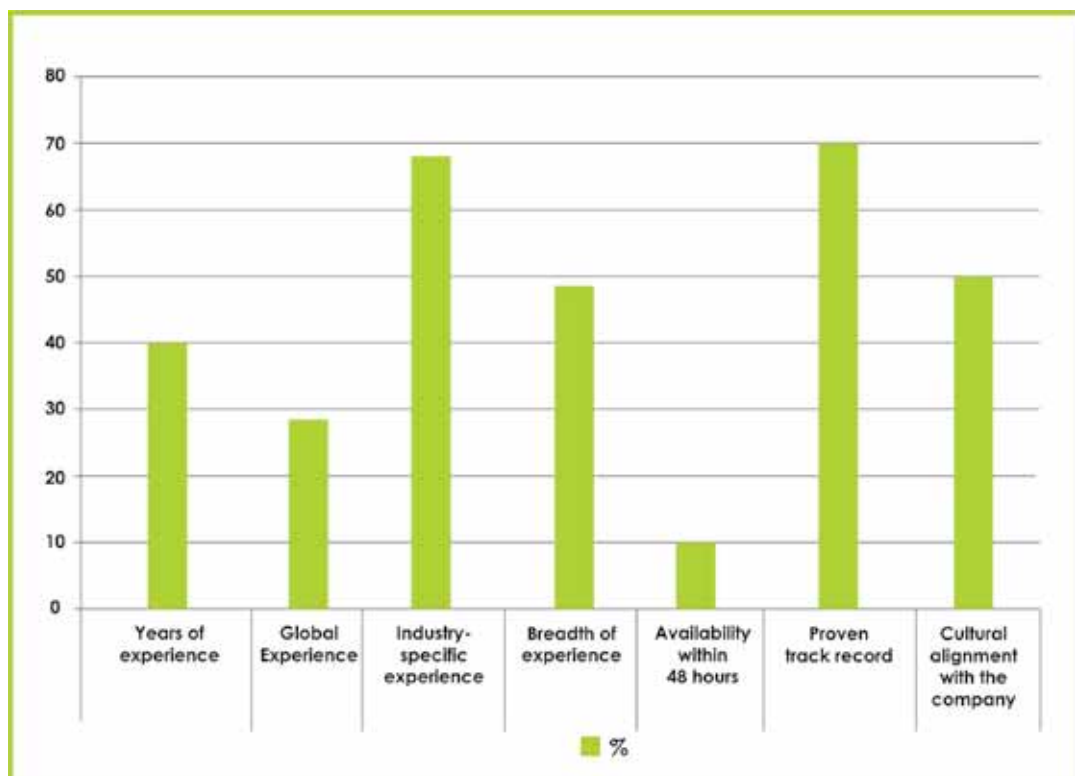


Figure 14: Factors that influence the selection of an Interim Management Practitioner

CYCAN's observation

While many businesses look for industry-related experience, 40% of clients have engaged an Interim Manager who is an expert in his or her role albeit from a different industry. In fact, we have found the lack of industry experience to be a distinct advantage in these assignments as the Interim Management Practitioners are not blinkered or jaded by specific industry norms.

Cultural alignment is important to most organisations and in most cases business has found that Interim Management Practitioners are able to integrate seamlessly based on their maturity, political neutrality and flexibility combined.

Business initiatives

What strategies can companies implement to survive a recession and ensure that they will thrive when it ends? We wanted to gain an understanding of what strategies business leaders consider necessary or significant in the short term and how Interim Management fits in with these initiatives. The introduction of innovative business strategies takes a leading stance for 54% of the client respondents, while one third of the client respondents say that cost reduction is a key initiative (refer to Figure 15). The results are encouraging and show that business is keeping pace with the challenges of the current economic market.

Companies that do not retain their momentum during a recession are more likely to lose their foothold. If business leaders want to introduce initiatives that offer reliable returns, they have to be on the ball to spot investment opportunities that will tackle short-term problems and pave the way for long-term strategies. Interim Management is perfectly aligned with this notion in that it delivers an innovative high-output alternative that is cost-effective and does not have risk of permanent resourcing.

Despite being a new trend in the South African business arena, it is interesting to note that Interim Management already accounts for 14% of management structures intended to oversee the implementation of planned initiatives (see Figure 16). This is clearly on par with Consultants and independent contractors.

Many companies would prefer to place the responsibility on to the shoulders of existing employees, but the question then is whether those employees have the knowledge base and skills to do so effectively.

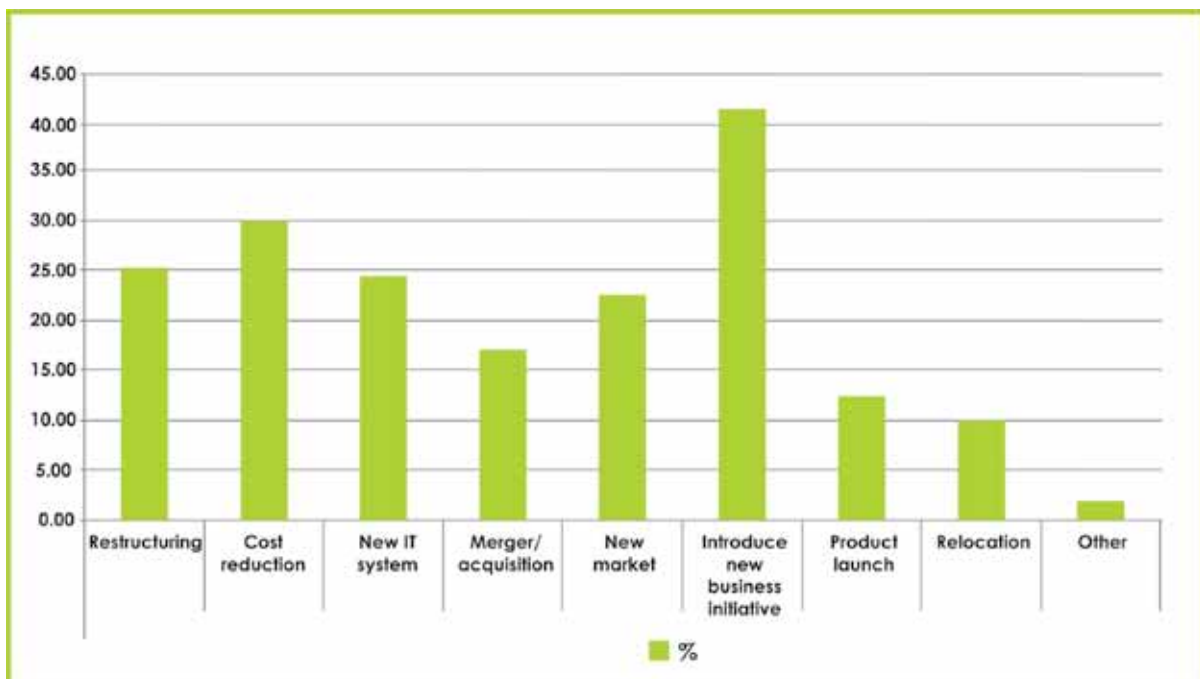


Figure 15: Intended business initiatives

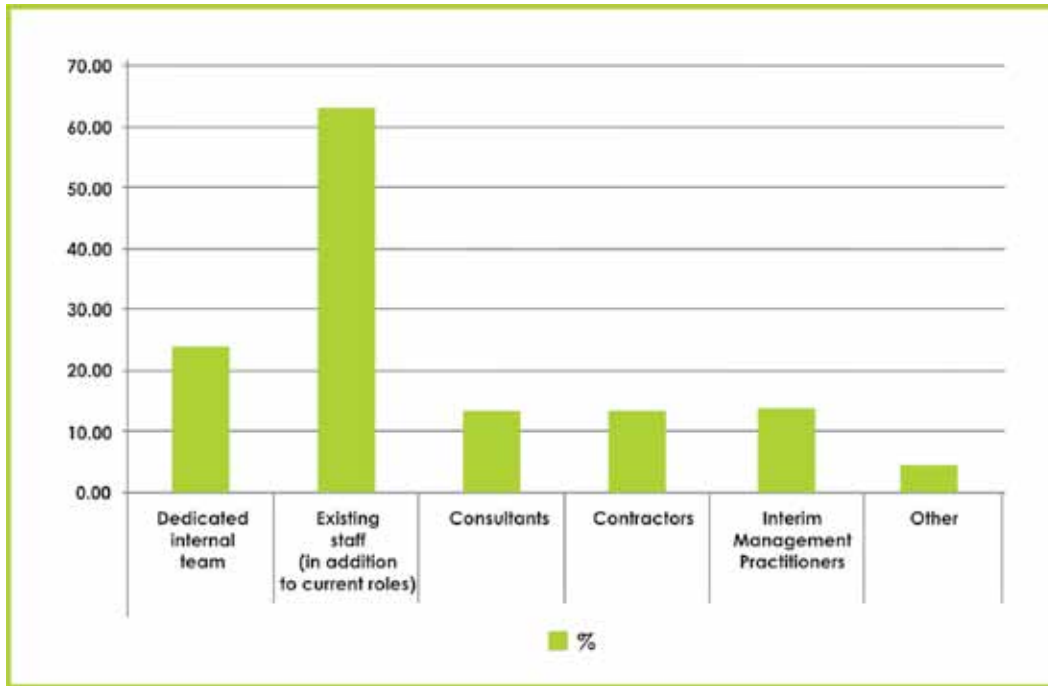


Figure 16: Change initiative management structures

CYCAN's observation

We find it interesting that many companies will engage existing teams to drive change initiatives. This is not an attractive or, in some cases, viable alternative to the use of Interim Management Practitioners to drive these initiatives. Very often the teams current roles end up being compromised, or additional time and energy have to be spent on appropriate training.

CYCAN has experienced a positive increase in initial requirements. Many businesses have sought out Interim Management because existing teams simply 'pass the problem' and fail to drive the initiative successfully.

Businesses that want to implement innovative solutions would logically benefit from the temporary addition of a suitably-skilled executive. Whether the initiative involves restructuring, mergers and acquisition, new systems, new business development or even cultural transformation, an experienced Interim Manager may well be the answer.

Conclusion

We compiled this report to present you with the findings and analysis of the first Interim Management survey in South Africa, and for South African businesses. The results in many cases came as no surprise to us, however, we have also seen that our own experience does not always correlate. This is because we have ensured that the respondents engaged with the survey independently, bringing to light an objective point of view.

The market for Interim Management is growing rapidly and we certainly hope that this report will encourage a paradigm shift for both those seeking alternative business solutions and those considering Interim Management as a viable career option.

There is no doubt that businesses are seeking rapid and flexible solutions to the ever-increasing pace of change and demands of our tightened economy. Interim Management is a highly effective resource that allows companies to reduce pressure on their long-term overheads while ensuring that their professional standards are not compromised.

Companies that have already experienced the value and benefits of Interim Management can attest to this, while those that have yet to tap into this resource will find that these new perspectives may answer many of their critical needs.