

## **New forms of employment**

### **Interim management, Czech Republic**

#### **Case study 5: Personal Connect/Manpower**

*Interim management, the temporary provision of management resources and skills, is a form of employment first introduced in the Czech Republic at the beginning of the 2000s. This case study focuses on two Czech companies: Personal Connect, which supplies interim managers, and Manpower Inc., an employer that has used interim managers.*

### **Introduction**

Interim management is a specific form of temporary provision of management resources and skills for customer companies. In contrast with other EU countries, the Czech Republic in practice introduced this form of employment into its labour market at the beginning of the 2000s although there was no specific legal regulation in place.

The main difference between interim management and temporary work agencies lies in the legal contract between employer and employee. While interim managers are hired on the basis of business law (mandatory contract), temporary agency workers are employed under labour law (employment contract). As is the case with temporary work agencies, interim managers are sent to receiving organisations via an intermediary or sending organisation. It could be argued that interim management as a form of employment is not only useful for large and strong businesses, but can also bring economic advantages to small and medium enterprises, especially where there are structural problems. Interim managers may be able to solve these problems very quickly and provide project, professional and management know-how.

In the Czech Republic, the economic crisis of 2008 caused an unprecedented growth in demand for interim managers, especially in those sectors and firms most gravely affected by the crisis, such as glass manufacturing, services, construction, and transport. Immediately after the onset of the financial crisis, the typical mission of interim managers was to respond to market changes and define new management processes in the fields of finance and commerce.

According to surveys conducted by AGIM Accord Group Interim Managers & Consultants, by 2010 37% of Czech businesses had some experience of hiring interim managers (Bártová, 2010). More and more businesses are now considering interim management as an option, and the supply of these services is growing. However, the total size of this occupational group is much lower than in Western Europe and people's expectation of interim management services continues to be unclear.

The case study discussed in this paper focuses on two companies operating in the Czech Republic – Personal Connect, an employer sending interim managers, and Manpower Inc., an employer receiving interim managers.

This report is based on:

- desk research – websites (portals on business and innovation) and articles discussing general issues of interim management;
- three structured interviews with the managing directors of both the sending and receiving interim management companies, an interim manager (also being the director of the sending company), and an expert from the Czech Association of Interim Management.

## **General characteristics of the interim management case**

Personal Connect, the sending company of interim managers and a Czech company established in February of 2011 in Prague, is a consulting firm that provides tailored services to businesses and individuals. It is a small company with 12 core employees. Interim management constitutes a less significant part of its services, but has growing potential. Through interim management and other services, it channels its know-how to other businesses and individuals in the form of projects focusing on HR development, education and business consulting. The interim managers on its team do not have a permanent employment relationship with the company. Instead, professionals are recruited for each individual case of interim management on temporary subcontracting relationships.

Manpower Inc., the receiving company analysed in this study, is one of the global leaders in providing personnel services such as searching for suitable candidates, candidate assessment and selection, staff training courses, outplacement, outsourcing and HR consulting. Its Czech branch was established in 1991 with headquarters in Prague. It has 25 local offices in different regions of the country. It is an s.r.o. – the Czech equivalent of a limited liability company. With approximately 250 employees, it is considered to be somewhere between a medium enterprise and large enterprise.

Its employees are from all age groups and education categories, although the staff is predominantly made up of men and women aged 25–40. No employee representatives are active in the company. In recent years, Manpower has been growing by 20–25% annually. The company has commercial and social ties to practically all regions of the Czech Republic. Manpower's HR policy defines its methods of employee care: it facilitates their professional growth and operates a series of bonus schemes.

The interim manager contracted by Manpower is 46 years old. She has a college degree in economics. She is also the CEO of Personal Connect. From 2009 until 2011, this manager worked as an independent consultant specialising in interim and project management, business processes and strategies. Her contract with Manpower was signed for two years.

## **Design and implementation process**

Manpower's main reason for hiring an interim manager was to provide assistance to an existing manager. He had the task of restructuring the company's retail network after being promoted to the position of Sales and Marketing Director. As an alternative to this kind of temporary external support, the management also considered hiring a new Sales and Marketing Director on a permanent basis. The company chose to promote the in-house manager and bring in an interim manager because it did not want to dismiss a long-term employee with the potential to do the job. The field of interim management was not unknown to Manpower because such services are a part of its portfolio for business clients.

Manpower selected the interim manager because she had five years of direct job experience as a Sales and Marketing Director with a US business corporation and was older and more experienced than Manpower's existing Sales and Marketing Director. Suitable candidates were identified using Manpower's business contacts. Three candidates were asked to develop strategic plans that would help restructure the company's retail network. The final candidate was selected by the CEO of Manpower because her plan was felt to be the strongest.

Given that the interim manager and the Sales and Marketing Director would work closely together, the latter was actively involved in the decision-making process. The interim manager's decision to accept Manpower's job offer was based on her extensive work experience in the field of management consulting, and the growing trend of market demand for management services.

Shortly after starting her work at Personal Connect as CEO, she was contacted by Manpower and offered a position without any details about the form of employment concerned. The decision to choose interim management as the most attractive type of employment for that particular case was selected later on. Despite the fact that prior to starting to work for Manpower her knowledge about the company was limited, she adapted without any problems due to her extensive experience of working in multinational companies such as PricewaterhouseCoopers and Hewlett-Packard.

During her term, the interim manager worked for Manpower for 20–30 hours weekly on average, as a standard part-time worker. She alternated between Manpower and the sending employer so that she could also carry out her duties as CEO and owner of the sending company. She became a member of the Manpower's commercial department and top management, participating in relevant meetings. According to the Sales and Marketing Director, she was a highly active interim manager. Nevertheless, her job was mainly internal, and she was never introduced to Manpower's business partners.

## **Working method, processes and procedures**

The interim manager's job was based on a business contract between Personal Connect and Manpower in the form of a standard agency agreement. The agency agreement defined each party's obligations, delivery times and rights to impose sanctions for non-compliance. This relationship has the form of a part-time business contract without a specified number of working hours per week and without any notice period or severance pay. The number of hours per week depends on required workload and so may differ from week to week, just as her income does. She is paid monthly and there are no other fees for the sending company in this particular case. Whenever any problems arise on either side, Personal Connect attempts to find a satisfactory solution for both the interim manager and Manpower.

As the interim manager worked a limited number of hours per week, her salary at Manpower was based on regular reporting of achieved results. She was nominated for additional monthly rewards as her employer was extremely pleased with her performance. Her job description and working methods were defined by the agency agreement and were in compliance with the needs of both companies and the interim manager herself. In her role as a strategic commercial director, she applied mentoring, coaching and consulting methods to assist the Sales and Marketing Director in redefining Manpower's business processes. In this way she exercised a dual role in management and education.

Her role determined how her time was divided. She spent half of her working hours at Manpower participated in meetings and consultations as a mentor and a strategic commercial director. The rest of her time with Manpower involved home office work dedicated to reading documents about internal processes and developing strategic materials for the company's management in general and for the Sales and Marketing Director in particular. Her overall responsibility was for preparing and starting up new commercial processes. She also trained sales team members.

Compared to standard business consultancy, she is more closely associated with the firm on a long term basis. Naturally, such a relationship encourages more accountability in the interim manager. Unlike temporary agency workers, she is not an employee and is thus covered by a business contract. Other differences include lower working hours but greater flexibility and income level, and particularly the degree of creativity and discretionary powers within her tasks at Manpower. Almost zero social security contributions are paid by Manpower, which may be

seen as disadvantage, but the interim manager feels she is sufficiently compensated by a higher income.

Early into her term, the interim manager established close contacts with the CEO of Manpower who had hired her. Besides email communication, they met on a monthly basis to discuss the progress of her tasks. The interim manager also submitted monthly reports on the amount of work completed as a basis for her evaluation and remuneration.

In addition to the close links with the CEO, she maintained a close relationship with the Sales and Marketing Director and, to some extent, with the rest of the commerce department. Participation in business meetings and shared work activities facilitated her integration into the team. She evaluated the collaboration as constructive and effective. There was no formal definition of her relationship with the Sales and Marketing Director; however, informally she served as his mentor.

Throughout her term at Manpower, the interim manager says she did not experience any problems or conflicts with the CEO, the Sales and Marketing Director or other members of staff. What she did find mentally challenging was mentoring the Sales and Marketing Director sensitively so that he did not perceive the newly introduced methods and procedures as a threat to his heritage. She found it difficult to lead his former co-workers without challenging his authority. Furthermore, it was something of a challenge to persuade him to change his established ways of thinking and adopt new perspectives on commercial management.

## **External support**

According to the Vice-Chair of the Czech Association of Interim Management, no public support for interim management is currently available in the country. There are no support schemes for education, training or consulting. On the contrary, the government administration tends to complicate interim managers' work by failing to distinguish between interim management positions, consulting jobs and normal employment relationships. In the fight against certain forms of employment that circumvent the Labour Code (the 'Svarc System'), the government administration even tabled a proposal to prohibit interim management altogether.

The Czech Association of Interim Management, a private body, is thought to be the only platform providing assistance to interim managers and organisations hiring them. Established in 2010, its main mission is to bring together interim managers as well as sending and receiving employers, raise awareness of interim management and to produce field-relevant know-how. Given its short history, the organisation says it finds it difficult to gauge its actual contribution to the interim management community. Although Personal Connect is a member of the association, the interviewed representative felt the body was more useful for self-employed managers who could make use of the association's information and consulting services, and its postings on job vacancies. These new jobs serve as an opportunity to expand personal networks and become more visible in the interim management community, among receiving employers, and in the consulting sector.

Both the interviewed interim manager and association representative mentioned that raising awareness on the potential of interim management is crucial. There is, for example, a large gap in the level of awareness between Prague and the other regions in the Czech Republic.

## **Outcomes and effects**

In the course of the interim manager's term, Manpower slightly redefined the original objectives for which she was hired. These changes were not deliberate, but rather resulted from the expansion of her roles and tasks as she became better acquainted with Manpower's business processes and needs. All of this was related to the new spirit she brought into Manpower and its commerce department.

The interim manager herself is used to flexible working and so these changes were very natural for her. Experience exchange occurred by means of direct contact with company specialists and her development was thus significantly accelerated. Together with flexibility and a higher income, professional advancement is the strongest reason for choosing this form of employment. According to the interviewed interim manager, lower social security, which may be seen as disadvantage, is sufficiently compensated by higher income.

While the Sales and Marketing Director argues that the interim manager fully achieved the business objectives she was hired for, the interim manager herself considers this evaluation to be too positive. She felt she had not fully succeeded in introducing new business processes and persuading the Sales and Marketing Director to support them. The reason for this failure was that the Sales and Marketing Director was eventually removed from this position and replaced by a new manager (he kept the portion of commerce responsibilities he was in charge of before hiring the interim manager).

Nevertheless, Manpower concluded that interim management is a highly efficient method for implementing innovative processes. Such processes have become a standard part of its commercial policy. At the same time, the introduction of new procedures taught employees new skills and increased their work efficiency. Manpower credits the interim manager with the introduction of these processes. Interim management is thus seen as a measure with great potential. Compared to standard managers, interim managers are relatively costly but more effective, especially in times of economic crisis, restructuring and implementing new procedures. They are also more loyal and closely connected to the firm and their goals when compared to business consultants, which again leads to better effectiveness.

Accordingly, the interim manager herself sees the potential of this form of work because of its profound difference from standard business consultancy. As an interim manager, she becomes a member of the team for a significant time period and so is dedicated to improving selected internal processes and to using her working hours effectively.

On the other hand, compared to standard managers, interim managers are usually more independent, able to quickly and highly effectively join the management at times when 'outside the box' thinking is needed. However, this potential is limited to a relatively small group of experienced managers. It is difficult to include a wider target group of employed or temporary agency workers.

As for temporary agency work, it is quite hard to compare it with interim management. An interim manager is usually a part-timer but his/her average hourly performance/output is well above standard (and the same applies to their income).

## **Strengths and weaknesses**

The main strength, from most interim managers' perspective, lies in flexibility and better reconciliation of work and personal life afforded by this employment form. However, the interim manager in this case is also the owner of the sending company and so is effectively doing two jobs and keeping very busy. But most professionals working in this way enjoy high salaries and the freedom to apply for job vacancies in line with their personal preferences. Another advantage is in joining a new working environment and working for businesses in different sectors of the economy.

The population of suitable candidates is strongly reduced by the core qualification requirements: these include a high level of knowledge, competences and relevant management experience. It is also for this reason that few interim managers are under 40.

An interim manager's success in a given position depends on the high levels of general business awareness of interim management effects and market demand, detailed knowledge of the business environment, self-presentation skills and the size of one's professional network. Since interim

managers in the Czech Republic operate in a highly informal environment, interesting job offers may not be accessible to individuals without goodwill and a solid number of useful contacts. It is also important for such professionals to set their salary so that it is neither too low nor too high. If the interim manager is an employee, the setting of price is determined by the sending company. If he or she is self-employed, the fee is negotiated with the receiving company.

The interviewed interim manager saw one weakness of her job as its high levels of stress and professional isolation, due to the lack of long-term employment in a single company. Higher stress levels are particularly related to short-term but extensive effort and taking on a number of contracts at one time because of uncertainty about future working opportunities. This is especially the case for self-employed interim managers who are fully dependent on demand from receiving companies.

In that respect, this particular interim manager is the exception since she was both owner and employee of her own company. There is also the need for maintaining consistently high levels of organisation and discipline at work.

For these reasons, this kind of a job is only suitable for certain types of professionals. To some it brings an immense expansion of freedom and employment opportunities, while to others it constitutes excessive short-term workload, immense personal responsibility and a highly precarious employment situation.

For businesses of any size, the main strength of interim management lies in the opportunity to accumulate an abundance of new experience in a relatively short time and to enhance their productivity and competitiveness by introducing new processes and projects. This is why interim management has potential in almost all disciplines, business sectors, regions and countries.

## **Future plans**

In the next few years, the interim manager and CEO of Personal Connect is planning to share her experience of this form of employment with younger and less experienced interim managers working with her.

Personal Connect's team of interim managers provides a highly efficient source of fast and high-quality management labour. Four other interim managers are currently on the team, and this number is likely to grow. They have become an advantageous alternative to hiring top managers for a regular employment relationship.

To bridge the gap in awareness on interim management between Prague and other parts of the country, the Czech Association of Interim Management plans to create more job opportunities for its members in other regions.

## **Commentary**

It is clear that interim management as a new flexible form of employment is on the rise in the Czech Republic. The Czech Association of Interim Management's attempts to raise awareness about this type of employment will most likely expand the market not only in Prague but also in other regions.

This type of employment is especially relevant for those businesses that are undergoing restructuring, suffering the effects of economic changes and crises, or transforming their business processes. Nevertheless, this rather exclusive form of employment is only available for highly educated and skilled managers with long-term management experience at national and international levels. This may be why interim management continues to be ignored by the government administration and, more particularly, by the Ministry of Labour and Social Affairs which formulates the Czech Republic's labour market policy and guarantees high levels of employment.

## Information sources

### Websites

Czech Association of Interim Management (CAIM), available at <http://caim.cz/>.

Manpower, Inc., available at [www.manpower.cz](http://www.manpower.cz).

Personal Connect, s.r.o., available at [www.personalconnect.cz](http://www.personalconnect.cz).

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