

New forms of employment

Interim management, Czech Republic

Case study 6: Human Garden/Nemos Sokolov

Interim management is a specific form of temporary provision of management resources and skills for customer companies. This case study focuses on two company cases: Human Garden, a ‘sending’ company that specialises in highly experienced human resources managers, and Nemos Sokolov, a hospital management company that used its services.

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 can often solve problems very quickly as well as providing project, professional and management know-how.

In the Czech Republic, the economic crisis of 2008 caused an unprecedented growth of demand for interim managers, especially in those sectors and firms most seriously 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 growing. However, the total size of this occupational group is much lower than in Western Europe and people’s expectations of interim management services continue to be unclear.

This case study focuses on Human Garden Co. as a sending employer and Nemos Sokolov Co. as a receiving employer. Human Garden works in the field of human resources (HR). Nemos Sokolov runs a hospital in the city of Sokolov.

This report is based on:

- desk research – websites and articles discussing general issues of interim management;
- five structured interviews – one with the Managing Director (CEO) of Nemos Sokolov, one with the interim manager, one with the Managing Director of Human Garden, one with the Sales and

Marketing Director of Human Garden, and one with the Vice-Chair of the key external stakeholder, the Czech Association of Interim Management.

General characteristics of the interim management case

The philosophy of Human Garden (the sending employer) is to integrate two focal areas of human resources management (HRM), namely effective HR and socially responsible business.

Human Garden is based in Prague and was established in 2012. At the time of writing (February 2014) the company had five employees and offered employment services to them as interim managers. The age range of the interim managers working in Human Garden was between 33 and 50 years old. They all had college degrees and specialised in HRM. Interim managers have been working for four companies in diverse sectors of business, such as banking, advertising, health care and technologies.

Human Garden provides a wide range of HRM products and services. In line with current trends in HR development, the company promotes legally correct, quick and flexible HR services. Human Garden provides the services including consulting, tailored training, management courses, HRM and personal development, headhunting, coaching and mentoring, and one year ago the company decided to offer interim management in its portfolio. This was done to offer a new and progressive service, gain new business clients, and increase the possibility of employing its HR experts.

Nemos Sokolov (the receiving employer) was established in 2010 and is based in Sokolov in the Karlovy Vary region. Nemos Sokolov is a private company that provides medical services. Since 1 January 2011, it has been operating and managing the Sokolov City Hospital. The hospital consists of 19 specialised medical departments. The company uses public support (projects funded by the EU) to buy specialist medical equipment.

The Sokolov City Hospital is a large enterprise with an annual turnover of CZK 400 million (€14.6 million as at 18 March 2014) and a total of 796 employees (637 women and 159 men). The average age of the staff members is 40. All medical staff have a tertiary education, while the education level of non-medical staff ranges between primary and tertiary. Management of the hospital consists of a Managing Director (CEO) and four deputies – financial, administrative, healthcare and personnel directors. In recent years, there has been a slow growth of both turnover and profit at the hospital. The pace of growth was affected by the Ministry of Health Regulation that caps the amount paid by insurance companies to hospitals.

Two labour unions have active branches in the Sokolov City Hospital – the Czech Trade Union Association of Health Care and Social Welfare (OSZSP) and the Czech Doctors' Trade Union (LOK–SČL). The hospital collaborates closely with the Karlovy Vary Region, with the Regional Hospital of Karlovy Vary, with which it has a 20-year lease contract for the hospital facility, and with local authorities in the cities of Sokolov and Ostrov.

The hospital's personnel department is headed by the personnel director. The personnel department consists of three specialists (one for medical staff, one for non-medical staff, and one for education) and two administrators (a secretary and a staff accountant). The main function of the HR specialists is to work in partnership with managers and unit directors. The HR policy which is in the process of reformulation rests on the following values: organisational culture, workplace atmosphere, staff satisfaction, and quality of collaboration. Employees enjoy a series of workplace benefits, including individual educational plans, personal development guidance, professional self-actualisation, equal treatment of all workers, and a friendly working environment.

The interim manager who works as a Personnel Director at the Sokolov City Hospital (Nemos Sokolov) is an employee of Human Garden. Having worked in the field of HR since 1995, this person has acquired experience as a consultant, trainer, coach, mentor and facilitator and as an HR manager in multinational and global corporations in different sectors.

The manager started her professional career at Pilsner Urquell where she led a team responsible for trade with Western and Southern Europe for several years. Then she worked in HR management for Carrefour Czech Republic, GE Money Bank, CeskaPojistovna, CeskaSporitelna and Valeo Automotive. While working as a consultant, advisor, mentor and trainer, she was able to apply her extensive knowledge and job experience obtained at renowned global corporations in manufacturing, finance and fast-moving consumer goods (FMCG).

Throughout her career, the manager has also worked as a team leader, functional manager and project manager. She defined and implemented HR processes, built HR processes (and teams) from the beginning, led HR projects at the international level, challenged the status quo in different companies and introduced new working methods. Besides internal job positions in HR management, her career record features many years of lecturing, training and consulting in the field of HR and development.

Design and implementation process

Nemos Sokolov started to operate and manage the City Hospital on 1 January 2011. At that time, the company's CEO became the hospital's CEO and was building a team of managers to lead it. After approximately two years of work with the hospital, he was not satisfied with the personnel department and the work of its director and received an informal recommendation from his business partners to undertake an audit. Over the course of four to five months, Human Garden implemented the audit which focused exclusively on HR processes. The future interim manager was part of the auditors' team. Before the audit was finished and its results communicated, the CEO made a decision and dismissed the Personnel Director, taking charge of the personnel department himself. However, given his workload and lack of experience in such a position, he was unable to exercise these responsibilities on his own. At that time, Human Garden recommended its interim manager as a candidate for the personnel director's position. The CEO was initially not interested in the idea, mainly because he was not acquainted with the concept of interim management. It was only after a personal meeting with Human Garden's Managing Director that he began to seriously consider this option. In view of the interim manager's professional experience, among other things, he chose to follow through without a job interview, hiring the interim manager immediately.

Another reason for hiring the interim manager from Human Garden was the high quality of past cooperation with Human Garden. The hospital's CEO appreciated the fact that the contract was concluded quickly (within one week) and the interim manager could start immediately. The contract was concluded in August 2013 for the term of six months. The CEO did not consider alternative forms of employment in order to change the work of the personnel department. The main objective of interim manager's involvement in the work of department was to define HR processes, formulate personnel policy and prepare the personnel department for the arrival of a new personnel director.

The interim manager has spent more than 20 years working for large multinational corporations. After lengthy consideration, she decided to leave the corporate world and start working as an external consultant, trainer, coach and mentor. The offer to work as an interim manager, in a way, brought her back to her original role as HR manager/director. She decided to accept the offer and become an interim manager not only because she found the area of healthcare challenging, but also because she wanted to share her experience and skills acquired during her previous work.

Working method, processes and procedures

The interim manager's work for the Sokolov City Hospital is based on a business contract between Human Garden and Nemos Sokolov. According to the contract, the hospital pays for the service of the interim manager to Human Garden. The interim manager remains an employee of Human Garden. The contract between her and Human Garden is a fixed-term contract with a fixed number of working hours in a month and without any notice period or severance pay, while the social and health insurance is paid by the employer.

Her work is governed by the sending employer's regulations and simultaneously by the regulations of the receiving employer. If these regulations differ or are in contradiction, it is always a matter of agreement between the hospital and Human Garden. Her employment contract does not include any special or exceptional regulations. She has to comply with the same internal regulations and directives as the hospital's regular employees.

The business contract clearly defines specific objectives to be attained during her term in the hospital, the exact time frame (28 hours weekly), the interim manager's mandatory workplace during that time (specific days and hours she is to be present in the hospital), and time of on-call duty (specific days and hours). She has to be present at her mandatory workplace for around one half of her weekly

working hours, the rest of the time she decides to work either in her mandatory workplace (the hospital) or at home.

Short-term results of her work are regularly communicated between all parties (interim manager, Nemos Sokolov and Human Garden). This model primarily results from the fact that at the time of writing Human Garden was working on three other strategic projects with Nemos Sokolov. The communication flow would be weaker if the interim manager's placement was the only common project.

The interim manager operates as Personnel Director. In the organisational chart, she is categorised as top management, enjoying the same standing (but not the benefits) as the other directors. Her task is to make sure the personnel department is functioning efficiently, set up HR processes and prepare the department for a new personnel director who should be introduced when her contract expires. These tasks were specified by the CEO of the hospital and included in the business contract.

When she started working in the hospital, she had limited responsibility and the CEO kept control over important decisions. This decision-making process was inherited from the previous personnel director. After approximately one month in her post as interim manager, she put a different system in place which delegated a series of additional responsibilities to her and granted her a general power of attorney to authorise employment contracts, business contracts and letters of termination.

The CEO no longer has input into the work of the personnel department. The interim manager informs him about actions and changes made to the personnel department at regular meetings of the company's top management, and at special meetings where she reports on all Human Garden's strategic projects at the hospital.

Her workplace relations and communication with staff are governed by the management hierarchy. The interim manager has 10 subordinates and the same extent of authority over them as an internal personnel director. On the initiative of the interim manager, the personnel department has been undergoing a series of difficult changes which also affected the job description of individual employees. Those who did not meet this challenge have left the hospital.

There are no special regulations that apply to conflict situations. The interim manager's approach is guided by the principle that other employees should regard her as a model in coping with conflict situations. Therefore, she strives to act transparently and fairly. She tries to motivate workers to step up their efforts and explains why the company has placed more emphasis on the quality of the results of their work. In conflict situations, she always tries to listen to both parties, analyse the problem and reach an agreement on corrective measures. She has never found herself in a conflict situation with the hospital's CEO.

After the first four months, the CEO decided that the planned term of six months was not sufficient to implement all the planned changes. At the time of writing (February 2014), all three parties were negotiating the option of extending the contract by one or two months. Early into the interim manager's term, it became apparent that she would be doing much more work for the hospital than originally planned. However, the increase in workload was not high enough to make adjustment of the business contract an issue. The arrangement between the CEO of the hospital, the CEO of Human Garden and the interim manager meant that the extra work needed was unpaid.

External support

Neither Sokolov City Hospital nor the interim manager applied for any external assistance on the matter of interim management. Human Garden interviewees said that, if needed, external support could come from the collective experience of its team of interim managers.

This point was developed by the Vice-Chair of the Czech Association of Interim Management. He said that no external public support for interim management or interim managers is currently available in the Czech Republic – no grants, subsidies, financial support, tax credits or other deductions and no support schemes for education, training or consulting. He believes that the Czech Association of Interim Management is the only platform striving to provide assistance to interim managers.

In the context of public support, interim managers would appreciate higher awareness among companies and potential interim managers. They would also like the position of interim manager to be regulated by legislation.

Outcomes

According to the company's CEO, the interim manager is about to fulfil all the objectives she was hired to achieve. The manager has even exceeded the CEO's expectations. The CEO appreciated the opportunity to get a seasoned professional to work with them for a fixed term in order to improve the functioning of the personnel department, HR policies and strategies.

The hired interim manager, as a member of the auditors' team in the preceding HR audit, was already aware of the company's HR policy. This made hiring her more cost-effective than the immediate hiring of a new personnel director who would have taken longer to adapt to and become acquainted with the company.

Therefore, the CEO was happy with the speed with which the interim manager assumed her new responsibilities because she did not have to study the workings of the hospital. Flexibility of the business relationship was another important advantage of hiring an interim manager. The contract could be amended, complemented or extended if necessary.

The interim manager's presence has reinvigorated the company's top management and made its work more dynamic and innovative, especially where the personnel department is concerned. The opportunity to meet a respected professional and experience her working methods in practice has motivated staff. She was well received by the CEO and other managers. The majority of employees accepted her and her initiatives for change. Three out of a total of 15 employees had problems with both the changes and the new pace of work – two resigned, and one was dismissed by the interim manager.

The interim manager considers time flexibility as the most important advantage of her job at Nemos Sokolov. However, the limited term for which she was initially hired will be extended because it is now clear that more work is needed from her.

The interim manager sees another advantage in the opportunities she has to work in new environments or, more generally, to work for businesses in different sectors of the economy such as the healthcare industry. This adds to her skills and expands her employment portfolio, thus increasing her employability in the future. Of comparable importance is the personal satisfaction she derives from sharing her experience with others. In order to be seen as a member of staff, she finds it important to have her own office where she can 'make herself at home'. In her other jobs (consulting, mentoring, coaching), she has traditionally been perceived as a guest by her co-workers. The interim manager's job helps her reconcile work with family life, making it possible to choose when to work and when to rest. She prefers this type of job to a standard job.

Human Garden sees the main effect of an interim manager as an opportunity to draw on their existing experience, study a new working environment, apply their knowledge in practice, and possibly help transform the hospital's organisational culture.

The Vice-Chair of the Czech Association of Interim Management says that the market for interim managers is still in its infancy and has strong potential for the future. He does not see any potential of crowding out other employment forms because of its specificity (short contracts, the need for highly skilled experts).

Strengths and weaknesses

For the CEO of Nemos Sokolov, the principal strength of the interim management model is the chance to quickly solve an existing crisis by employing a professional with an exceptional background and personal qualities. The option is more cost-effective than hiring a renowned professional for a regular employment relationship because it eliminates training costs, employee benefits and the costs of his/her stabilisation and development. The new life breathed into the hospital's top management is also considered a major strength.

While it is also mentioned as an advantage, flexibility poses a great challenge to interim management and interim managers. When hired by a company, an interim manager does not have the same timeframe for adapting as a manager on a regular contract. They have to start working immediately. Their remuneration depends on the number of hours worked and their term always lasts a few months. Interim managers are also challenged by frequently moving from one working environment to another. One term can be spent at a large multinational, another one at a small family business, and every new term involves a different business sector.

The only problem identified by the CEO of Nemos Sokolov is the way they underestimated the time necessary for the interim manager to meet the envisioned objectives. Negotiations on extending the manager's term were under way.

From the interim manager's perspective, the biggest problem lies in the uncertainty of her professional future immediately after this term. Human Garden is not responsible for searching for the next assignment for interim managers, although it is in its interest to keep its portfolio of interim managers. Since she has a fixed-term contract with Human Garden, there is no guaranteed payment if there is no further assignment. However, this uncertainty is both the biggest problem and an intrinsic part of interim management. Every interim manager knows they face this kind of uncertainty. She only chose to venture on this journey when she knew that she could cope with the financial uncertainty. She also faces the challenge of additional leisure time, something top managers are not used to. Having extra free time between contracts might bring either concern for the future or new positive aspects of life such as more time for hobbies and family.

Awareness-raising among managers and business owners is considered to be crucial for the future development of interim management by both the interim manager and the CEO. Few CEOs or business owners can make use of this new flexible form of employment because the majority are not familiar with it and the potential contributions interim management can make to their businesses. This is the same for those who could be interim managers and don't consider this employment form because they don't know about it.

Interim management is relatively well known in Prague but not so well in other regions of the Czech Republic. The CEO of the Sokolov City Hospital knew nothing about interim management until he was made aware of it by Human Garden during their audit. In an effort to raise awareness, the Czech Association of Interim Management has been organising seminars and round-table discussions with managers of local businesses in remote regions.

Another weakness identified is that there are no specific laws and regulations that are applicable to this type of work. Were it embedded in legislation, it would be easier to raise awareness about the employment form.

Managers of Human Garden appreciate the new opportunity to deploy their employees as interim managers alongside standard deployment as coaches, mentors, project managers or auditors. It increases both job possibilities for their employees and grows the company. Valuable feedback comes from both parties – the receiving employer and the interim manager. An interim manager's job is economically advantageous for all parties involved. Although the interim manager's salary is higher than that of full-time job managers, it does not include remuneration for holidays, education and training activities, employee benefits and so on. The managers of Human Garden recommend new legislation and/or public financial support for awareness-raising to give interim management a recognisable role in the job market.

The Vice-Chair of the Czech Association of Interim Management argues that the future of interim management depends on educating potential clients and potential interim managers about interim management as an effective management tool. Finally, since at the moment interim managers tend to be categorised as consultants, it is necessary to establish a distinct legal status for them.

Future plans

The CEO of Nemos Sokolov confirmed that he would hire an interim manager again, especially if the professionals at his disposal did not have the necessary experience to keep a given situation under control. He would also hire an interim manager to restructure a newly acquired company.

The interim manager expects her term to be extended and firmly believes that she will be hired for another position within three months. Her immediate plan is to take one month off. Then she plans to resume her roles in consulting, mentoring and coaching and possibly get another job as an interim manager.

The management of Human Garden sees great potential in interim management. For receiving employers, interim management is especially advantageous when they suddenly lose a top manager. Compared to hiring a permanent new manager, interim hiring offers an immediate and flexible solution while keeping the same level of quality. Therefore, Human Garden intends to carry on promoting the service among their business partners.

Commentary

Interim management is increasingly important in the Czech Republic. The common denominator is the deployment of a seasoned professional in situations when a company's internal resources deliver insufficient skills and capacity, or when it is not suitable or possible to hire a permanent candidate for a given position.

As shown in the study, interim managers are selected from a group of people who possess extensive professional and social experience and are willing to share it with their clients. Working with a limited set of objectives and in a limited time frame, an interim manager brings new dynamics and unbiased perspectives to a company. The manager interviewed for this study was also more insulated from possible emotional influences and career ambitions. She was able to provide not only consulting services but also specific solutions, direct their implementation and take responsibility for their ultimate effects.

Interim managers often provide invaluable assistance to companies, especially in coping with complex, dynamic or even crisis situations. In this way, they help improve the functioning and global competitiveness of the Czech economy.

Information sources

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