

EDITORIAL



Taravat Taher-Zadeh
Chairman IIM

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WINDOW ON IM
ASSIGNMENT

A Day in the Life of
Independent Healthcare

MEMBER BENEFITS

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Institute of Interim Management
'Dolphins'
Elmstead Road
West Byfleet
Surrey
KT14 6JB
United Kingdom

T: +44 (0) 870 242 0814
F: +44 (0) 1932 350 775
E: info@ioim.org.uk
W: www.ioim.org.uk

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QUALITY, BEST PRACTICE, PROFESSIONAL RECOGNITION IIM ENTERS 4TH YEAR OF FORMATION

Welcome to the March 2004 Issue of [InterIM Insight](#).

As we go to press on what is a bumper Issue - reporting on Institute developments, announcements of future events, as well as important industry news relevant to your Interim practice - we will have celebrated our third anniversary, albeit, and unfortunately, without a party. But then, our activities in promoting the Institute and your interests have kept us pretty well occupied.

2 April 2001 was the momentous day that launched the IIM, to what has in three years become the authoritative voice for Interim Managers and the industry stamp of quality and best practice for professional Interims. Our thanks again to the Interim Management Association, to our Companions and the Chartered Management Institute, for their support and confidence in assisting our formation.

Announcement of our AGM, including circulation of all formal documents, was made recently. I hope that as many of you as possible can join us on 24 May, when we can also take the opportunity of celebrating our third anniversary and thanking all our founding members who worked tirelessly in establishing the Institute, whilst also continuing to run their businesses. Managing the IIM continues to be by members, for members, I therefore also wish to take this opportunity to extend my gratitude to all members for contributing to our progress and success.

As you will have already noted, the Chancellor's Budget regrettably offered little positive offerings for small businesses, and more penalties. However, despite the new 19 percent corporation tax regime - bringing in an additional £840 million of revenue over the next three years, impacting many Interim owner-managers (see the 'Taxing Times' article), the outlook is improving. The UK market for Interim management is estimated to have grown by 20% per annum, between 1995-2000, with anticipated growth reaching some £420m by 2005. A positive change in cultural attitudes and recognition of the benefits a professional and accredited Interim can bring to business, are undoubtedly key factors in supporting this growth. Indeed, when the IIM was established, our founding concepts and values were - to be the pre-eminent professional body for quality standards of accreditation, professional development and best practice. These values are as valid today as when we first started out.

We continue to provide a range of events in active support of our membership. We report on our recent event looking at Interim opportunities in the Pharmaceutical and Biotechnology industries, held in Hatfield with the kind support of RSA Interims, which was fully subscribed and one of our most successful events to date. We also announce future events in Newcastle (April) and London (June) by generous sponsorship of PricewaterhouseCoopers and a CPD event organised by IIM North in July.

Our Five Minute Focus interview features Irving Warnett, Director of PwC Business Recovery Service, Leeds office, who shares some insights to turnaround management and the growing use of Interim management in this active business sector. PwC Leeds are kindly sponsoring our Newcastle event entitled 'Courage to be Heard'. The event will also cover the new Money Laundering legislation, which we feature an article on, drawing your attention to salient points likely to impact your business.

Our Window on Assignment - designed to share Interim case study experiences - features IIM Member Mary Day, on assignment as Interim FD within the independent healthcare sector.

A summary of our first major survey is also featured, with some interesting results. Our thanks to all members who took the time to respond. The detailed results will appear on our web site shortly. We have also started further developments of the web site, which are outlined in this Issue.

Happy reading and I look forward to seeing you at our forthcoming events and the AGM.

TAXING TIMES

Views on the recent Budget changes and how they impact on Interims

**MORE
CONSTRAINTS,
RED TAPE,
&
TAXATION
FOR SMALL
BUSINESSES**

Chancellor Gordon Brown's budget measures have been widely reported and analysed in the media. Perhaps the key change which comes into force after 31 March and is of most importance to the Interim is that of corporation tax.

As an incorporated body, generating less than £50,000 annual profit, regardless of the rate at which you pay corporation tax, any profits you distribute to individuals on or after 1 April 2004 must have had corporation tax paid at a rate of 19%.

Profits retained within the company do not suffer this restriction, so the new measure does not effect reinvestment of profits into the business.

However, some commentators view this as a temporary stop gap measure, raising the possibility of tax treatment of income received from other forms of trading becoming more onerous.



The Chancellor expects that the additional revenue raised by this change, will however be offset by the tax lost by sole traders that responded to his policy of letting those firms that incorporate to take out the first £10,000 of profit out of their business tax free.

He reversed the policy when the number of business incorporating soared from 67,761 in 2002 to more than 380,000 in 2004. These measures do not affect those whose taxable profit is more than £50,000. Where it hits hardest is the smaller, owner manager who is struggling the hardest and who can least afford it. This is not helping the small business, the very ones the Chancellor encouraged to incorporate by measures originally introduced by him.

He has also missed the golden opportunity of doing away with IR35 – to simplify something that is expensive to administer, enormously bureaucratic and unnecessarily costly to business.



TECHNICAL NEWS FROM NYMAN LINDEN

**NEWS SERVICE
&
INDUSTRY UPDATES**

**FOR
INTERIMS
FROM**

**NYMAN LINDEN
CHARTERED
ACCOUNTANTS**

The firms providing benefits and services to Institute members include Nyman Linden, who are chartered accountants specialising in providing accounting and tax services for Interims and contractors. Under Benefits and Promotions in the Private Members' Area of the Institute's website, you will find a permanent hyperlink to the Nyman Linden website home page (www.nymanlinden.co.uk) – or add this to your Favourites now.

Nyman Linden has recently introduced a technical news service to keep Interims up to date with the latest accounting and tax information relevant to running their businesses. This news service can be accessed at any time by IIM members, by clicking on Our News Room on the Nyman Linden home page.

If you need a detailed summary of the provisions of the Chancellor's 2004 Budget, this can also be accessed from their home page.

IIM NEWS & EVENTS

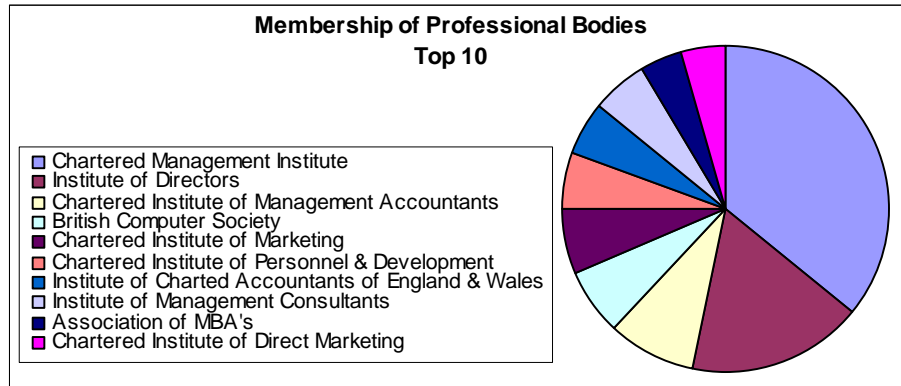
MEMBER SURVEY RESULTS

The Institute launched its first comprehensive membership survey in January this year. Aimed at enhancing our membership database administration and profile, as well as aid our plans to facilitate greater benefits and opportunities, the results have now been compiled, an overview of which is outlined here. Full results will appear on our website shortly.

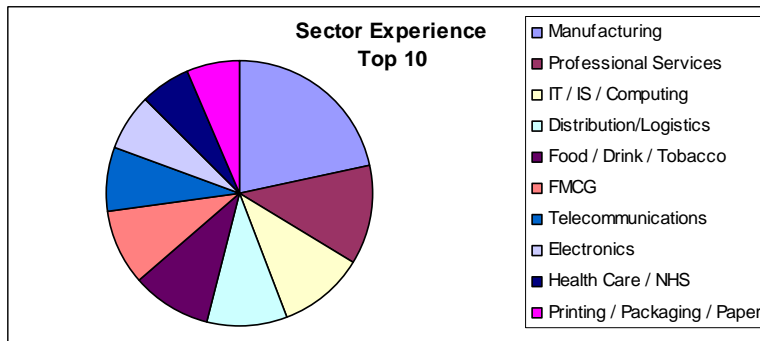
The primary reasons for joining the IIM are to gain professional recognition (by implication as an Interim Manager, since most are already well qualified, and members of other professional bodies). This was followed closely by an interest in events, which is indicative of the requirement to network and which over 60% of members attend two or more a year.

Of the general comments, many members (2/3rds) see representation and Government lobbying as the primary added value, plus CPD focused events. Over 30 wide-ranging professional bodies constitute the membership profile of respondents, with the Top 10 being illustrated in Graph 1 - the Chartered Management Institute featuring prominently as part of our formative affiliation.

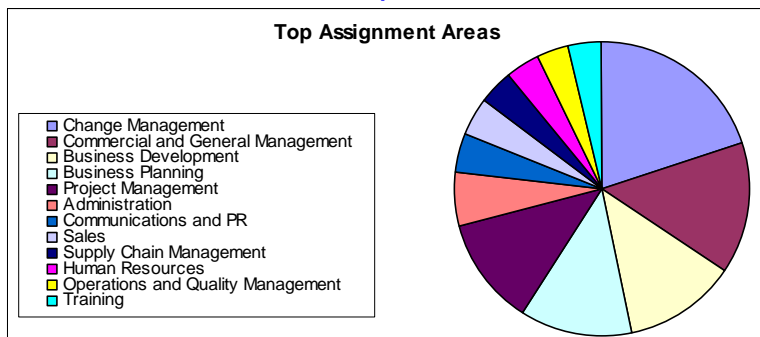
Graph 1



Graph 2



Graph 3

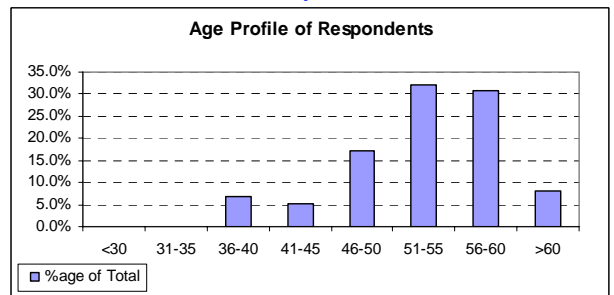


Not surprisingly, sector experience is diverse, with Manufacturing a clear leader, followed closely by Professional Services, IT, Distribution/Logistics and FMCG.

Graph 3 equally demonstrates the broad strength of professional disciplines and Interim activities of members, with a top ranking of Change and General Management, Business Development (also encompassing marketing), Business Planning and Project Management. Some 55% of assignment experience is from large UK and international companies and the balance split between SME's, Public Sector and Other.

Most members have been practising for more than one year with over 50% active between 4-10 years and 15%, 10 years and over

Graph 4



The age profile of membership as illustrated in Graph 4, confirms industry data and expectations that many Interims fall within 40s and 50s age category. However both Government statistics, other recent surveys as well as our experience with new members, confirm that not only Interim management as a career choice is on the increase but that also younger professionals are entering the profession.

REPORT
OF IIM'S
MEMBERSHIP SURVEY

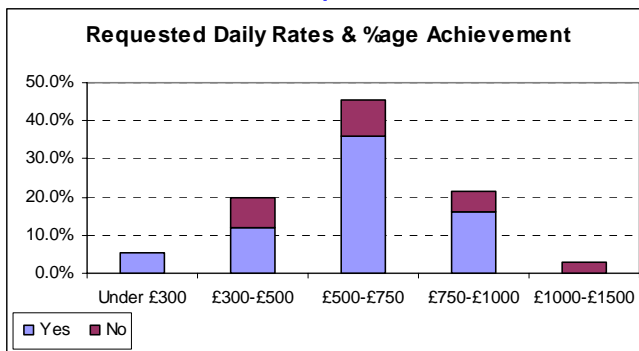
MANUFACTURING,
PROFESSIONAL
SERVICES, IT,
DISTRIBUTION
&
FMCG
LEAD
SECTOR
EXPERIENCE

OVER 50% PRACTISING
AS INTERIM
MANAGERS
IN EXCESS OF 4 YEARS

**POSITIVE OUTLOOK
FOR MARKET GROWTH**

**INTERIMS MANAGERS
DO NOT
SEEK
REGULATORY
OR
GOVERNMENT
PROTECTION**

Graph 5

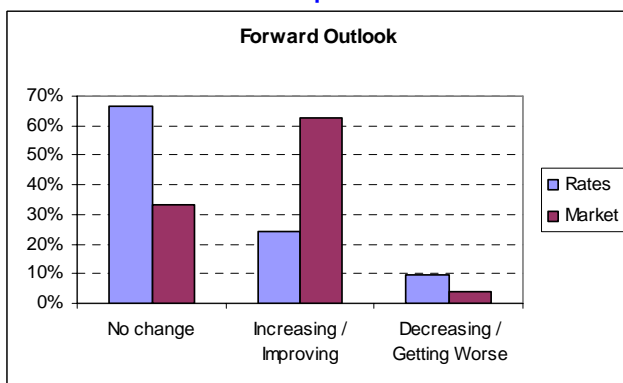


The major source of assignments by members were through their own networking contacts, with 25% securing up to half of their business through Interim providers.

Advertising and the internet routes are evidently the least successful routes to market.

As shown in Graph 5, the £500-£750 band claims the largest proportion of respondents daily rates, with anticipated rates being achieved across the board in approximately 75% of cases.

Graph 6



Competition and economic circumstances were frequently quoted as factors impacting the volume of assignments and fees.

Few predict a decrease in rates with 2/3rds expecting no change and a bullish 25% forecasting increase.

Members are more optimistic with regard to overall market for Interim management with over 60% expecting an improvement and most of the rest, no change.

Regarding regulatory and Government intervention the membership is split approximately 3 to 1 on the need for protection. This is in line with the fact that Interim Managers (majority practising as incorporated companies, over 2/3rds of IIM membership) and operating as SMEs, regard themselves as trading under commercial, rather than employment, laws and contracts.

NEW MEMBER DEVELOPMENTS ON IIM WEB SITE

The current phase of development on the Institute website is well underway, and a number of enhancements to the "Private Members Area" will become available during the next 4 to 6 weeks. These will allow members to:

- Search and update their personal and business information on-line.
- Employ more sophisticated password controls.
- Search the membership database against a wide variety of different criteria, and access other members electronically from the site. Members have to positively opt-in to this facility.
- Book events or workshops on-line.
- Search assignments posted via the Institute.
- Set up links to their existing websites or set up a new site within the www.ioim.org.uk domain.

The first three of these are already on stream; in case you didn't keep your copy, the text of the explanatory email circulated by the Secretary can be found under News on the Private Members' Area.

The aim of these developments is to make life easier all round; easier for members to communicate and network together and easier for the Institute to communicate with the membership and administer its affairs. As well as providing cost-effective marketing opportunities for members, we will also be changing the dynamics of the site with the aim of bringing you more news of Institute activities, as well as news of a more general nature.

We will email members as the rest of these facilities are available; try them out and let us have your thoughts and ideas. In the meantime, please do remember to update your personal details as they change.



IIM MEMBERS

DAVID MURRELL
&
MIKE GREEN

REPORT ON THE FIRST
OF A SERIES
OF EVENTS

FOR 2004 STARTING

WITH

**INTERIM MANAGEMENT
OPPORTUNITIES IN THE
LIFE SCIENCES
SECTOR**

HELD AT
HATFIELD HOUSE
IN FEBRUARY



Life Science Professionals at the Palace

Interim Management provides opportunities in the Biotechnology and Pharmaceutical industries

This was the summary message, given to a capacity audience of over one hundred Life Sciences delegates and Interim Managers, assembled for an evening seminar in the Old Palace at Hatfield House, Hertfordshire, on 22 February. The ticket only event, co-hosted with leading Life Sciences provider, RSA Interims, drew as its background two closely related, but differing industries.

After a warm welcome from IIM Chairman Taravat Taher-Zadeh, on what was a very cold evening, the three main speakers developed their collective theme, providing insights into opportunities within the Life Sciences sector at the different stages of the life cycle. The equity provider's view of early stage opportunities, the Interim provider's view of the normal mature market, and the turnaround trends and challenges in those that have almost reached the end of their particular road. All our speakers were unanimous in their agreement – this was a sector where opportunities abound for those with the right skill set.



**Assembled delegates in the
Great Hall of the Old Palace**

**Rod Seville, Deputy Chairman IIM, Rudi Jansen, Director
Pharma Consultants, Roger Stephens, Chairman RSA
Group, Keith Hobson, Managing Director RSA Interims,
Taravat Taher-Zadeh, Paul McCubbin, Vice President BTG,
Nick Stephens, Managing Director RSA Group**

IN ASSOCIATION WITH



*'...industry experience
strategic thinking
and
a hands-on
approach...'*

*'...Interim management
and
Escalator
Management...'*

In analysing the rationale for such buoyancy, the speakers made some key points:

- The Life Sciences sector was home to a large number of new businesses, many spun out of academia. These are seen as rich in technical capability but often lacking in overall business acumen.
- There is a productivity crunch in the Pharmaceutical sector – the drive for high shareholder returns has kept M&A running at a high level.
- Global spend on R&D is reducing – this also helps maintain M&A activity levels as the sector tries to capitalise on limited development potential.
- The balance between development cost and returns, particularly with increasing bureaucracy on the Approval process, is becoming less attractive.

Dr. Paul McCubbin, Vice President of BTG plc, a value-adding investor in early stage Life Sciences companies described the essential attributes of a successful Interim. Apart from industry experience and strategic thinking as givens, a 'hands on' approach coupled with a sensitive approach was seen as vital. This, coupled with drive, energy and patience, an independence of mind and adaptability, completed the portfolio. While other industry skills were transferable, the highly specialist and scientific nature of Life Sciences demanded a level of industry qualification.

RSA Interims Managing Director Keith Hobson illustrated the differences between Permanent, Outsourced, Management Consultancy and Interim resources and the options open for a company to make effective use of Interim Managers. Ranging from mid-level specialists to top-level managers, in every function and cross functionally, they can be deployed for start-ups, change, turnaround and M&A activities. And not only in a singular fashion. In what he called 'Escalator Management', over a period of time specialist Interims can be called in, in sequence, to complete a particular task, after which another specialist Interim fulfils the next higher role.



Dr Paul McCubbin



Keith Hobson

'...increasing industry consolidation requires additional horsepower and quality resource at short notice...'

Rudi Jansen, of Jansen Pharma Consultants, posed the question "Is there a need for Interim Management in the Pharma industry?" Where the average development costs of a prescription product is \$600 million and takes up to 10-12 years, nevertheless there is increasing consolidation through M&A activities in the industry which requires additional 'horsepower' and management of change. This change means a need for quality resource at short notice. Critical projects require heavyweight, experienced resources, delivering above average performance, equating to growing opportunities for professional Interims.



Rudi Jansen

All speakers felt that sector experience was critical, although general management, financial and turnaround skills were still evident in their demand. However, competition is increasing and the pool of talent is growing as the high level of M&A activity injects a constant stream of highly qualified people into the net.

On the turnaround front, saving any business from sliding further into oblivion demands core processes and skills which are no different in this sector than others – clearly an area of opportunity for those IM's with a "Who dares – Wins" attitude...!

The Old Palace's Great Hall with its rich handmade brickwork, vaulted timber roof and huge tapestries, looks down on a setting which has borne witness to many conspiracies, affairs of state and high feasting in the past.

The formal part of the evening closed with what was a long and lively debate, at almost 40 minutes. And, the evening's more modest gathering and post-presentation reception, nevertheless bore witness to many discussions and a growing awareness that Interim Management is now much more than 'filling a gap' - it has a valuable and growing strategic role to play in the future of two of the UK's most important industries.



Post presentation Q&A



IIM Member Stephen Huard



Andrew Plaskow, Nyman Linden, Tom Brass, IIM Secretary, Tony Tyler IIM Board and Stephen Huard

MARK YOUR DIARIES

29 APRIL, NEWCASTLE

IN ASSOCIATION WITH

PRICEWATERHOUSECOOPERS

FORTHCOMING EVENTS

Thursday 29 April, Newcastle

'Courage to Heard'

Newcastle United Conference Centre

Managing client relationships is not always easy, especially when issues facing the business can strain relationships. All professional advisers and Interims need to protect clients with trust, honesty and professionalism, and of course, to generate profit. How should you spot and stop the warning signs, what tools can be deployed and how can Interims support clients and work alongside professional firms?

The causes of trends and nature of transactions are becoming even more relevant, particularly in the context of recent Money Laundering legislation. These are the challenges facing all advisers and Interims, to have the 'Courage to be Heard' to voice concerns in protecting, both the client's business and their own reputation.

Aiming to always cover the latest industry developments likely to impact the businesses of Interim Managers, we are delighted to have the support of our co-hosts PricewaterhouseCoopers. A panel of expert speakers including PwC's, Irving Warnett and John O'Donnell, and IIM Member Peter Alderslade will cover the role of advisers in protecting clients, including the pitfalls and practical steps to take, in light of the new regulations.

*****For booking information and further details, please contact the Institute or visit our website*****

24 MAY, LONDON



Institute
of Interim
Management

IIM HOLD ITS

THIRD AGM

Monday 24 May, London

2004 AGM

The Basil Street Hotel, Knightsbridge

Members would have recently received preliminary notification of the Institute's 2004 Annual General Meeting, to be held on Monday 24 May (6.30pm for 7pm), at the Basil Street Hotel, Knightsbridge, London. Copies of the documentation are also available on the Private Members' Area of the website.

The documentation includes nomination papers allowing candidates to be put forward for election to the Board. Details of the roles and responsibilities of the Board members and sub-committees are set out, and instructions are given as to how to complete the nomination papers if IIM members wish to stand personally or nominate a colleague. The last date for nominations to be received by the Secretary is Sunday 25 April for emails (and hand deliveries) and Saturday 24 April for surface post. The documentation also includes a Planned Attendance form. Sunday 25 April is also the closing date for members to notify any Special Business they wish dealt with at the AGM

On or before Saturday 1 May, formal Notice of the AGM will be sent by email to all members confirming the date, time and venue. This Notice will include the Agenda for the Meeting and a Proxy Form to allow you to exercise your vote on the various resolutions, including the selection of the Board. The supporting documentation (the annual accounts, profiles of the candidates standing for election etc) will be posted on the Private Members' Area of the website.

Wednesday 23 June, London

'Rescue, Recovery, Renewal – Building Corporate Value'

PricewaterhouseCoopers, Embankment Place

In October last year we repeated our highly successful event on turnaround management, "The Changing Turnaround Landscape", co-hosted with PricewaterhouseCoopers. Given the positive feedback, we are responding to delegates' demand to hold another event on this very topical business area and one for which Interim Managers are being increasingly resourced, as both strategic and tactical solutions.

On this occasion we will focus on an interactive session on the steps to be taken to minimise and mitigate the signs that plague businesses into decline, the effects of corporate borrowing on pension schemes, the impact these can have on the value of a company, and the solutions available for corrective action.

Supported by illustrations from international data and case studies, our keynote speakers, Richard Farr, Neville McKay and Mike Jervis of PricewaterhouseCoopers, will discuss the change in the power base from the Managing Director and the emerging role of Finance Directors in workout situations. Why pension schemes have always been a risk to a business but that events – volatile global financial markets, equity exposures, among other reasons - have exposed risks, not created them

*****Further details and booking information will follow shortly*****

Thursday 8 July, Wakefield, Yorkshire

'Let me through...I'm an Expert!'

Cedar Court Hotel, Wakefield, Yorkshire

Few people can make this claim – a doctor, a police officer, a fireman - the message is: "I'm the expert, I'm in control, I'm in charge." Interim Managers are also perceived as expert, but it's not as simple as that. Typically, client companies are experiencing some sort of crisis. Interims have to convince the management and all members of the team, that he/she has the knowledge, experience and ability to turn the situation round. Not all the stakeholders will be ready to believe it.

So, how do you get your message across? Each situation requires a different technique and must be handled effectively as there's no time - the old adage "never get a second chance to make a first impression". Interims need to develop their skills and credibility, through communication and effective self-marketing. This seminar examines the way your message must be tailored and delivered, to achieve maximum impact in the shortest time.

Covering three key areas: Communication, Securing Assignments, and Mentoring & Managing the Exit, Anthony Day, Fellow of the Chartered Institute of Management Accountants, Member of Toastmasters International and the Professional Speakers Association, will present this evening seminar at the Cedar Court Hotel in Wakefield. Prior to establishing his training company Cyber Associates Ltd. Anthony worked in Brussels as Group Financial Controller of a computer services company, spent much of the '80s as management consultant at 3i and also worked in the manufacturing industry. Anthony's clients include the European Commission, international hotel chains, DFID, Ford and Gillette, among others.

*****Further details and booking information will follow shortly*****

23 JUNE, LONDON

IN ASSOCIATION WITH

PRICEWATERHOUSECOOPERS 

8 JULY, WAKEFIELD

institute of interim management

CPD SEMINAR

FIVE MINUTE FOCUS

INTERIM INSIGHT
INTERVIEWS
IRVING WARNETT
OF PWC
BUSINESS
RECOVERY
SERVICE

PWC SEE GROWING OPPORTUNITIES FOR INTERIMS WITH TURNAROUND EXPERIENCE

In this issue we speak to Irving Warnett of PricewaterhouseCoopers (PwC) Leeds, (sponsors of our April event in Newcastle), who shares with us his significant experience in managing business turnaround, and the growing role of Interim management in this active business sector of the UK.



Irving Warnett, is a Director of PwC's Business Recovery group, operating largely in the North East. Irving has over ten years' CEO experience with a European distribution business, eight years' with 3i and over eight years' consulting and lender-advisory experience with the firm. He specialises in turnaround strategy and operational change management across a broad range of plc and middle market manufacturing and process industries. Irving also leads PwC's North East Company Dr. Club.

Would you please give us some background to PwC's Business Recovery practice?

IW Our UK business recovery services (BRS) practice is the largest and most successful in the world, providing advisory and insolvency services to lenders, creditors, companies and individuals in troubled financial situations. Our services include turnaround implementation, financial, operational and strategic advice, optimised exit services, accelerated mergers and acquisitions, solvent reconstructions, real estate, insurance company run-off, receivables management, receiverships, administrations and liquidations. With an involvement in 75% of all major UK corporate restructurings, we have advised on restructuring situations with over £60 billion of debt and involving more than 200,000 jobs in the last 18 months.

What are your routes to the market with companies experiencing distress?

IW Our involvement in businesses usually stems from us being introduced by a 'concerned' lender, creditor or stakeholder (for instance a VC or shareholder). The cause for such introductions often arises as a result of a business suffering from a serious erosion of shareholder value, usually due to incurring losses for one or more years, or in some cases from imminent or foreseen future cash flow problems.

Traditionally, the main source of introductions has been through the clearing banks, but in recent years, business management/shareholders have, and are, becoming aware of their responsibilities. In such distressed or potentially distressed situations, they are turning to their own solicitors, auditors, or other personally known intermediary professional advisors. In turn, these now are as important a source of work for us, which is why we are pleased to hold the forthcoming seminar in Newcastle with the IIM.

Another change and complexity is the growing number of lenders or stakeholders in a business. For instance as well as there being a mainstream clearing bank overdraft, there is increasingly a likelihood of invoice discounting, lenders with fixed charges on fixed assets (Asset Based Lenders 'ABLs'), credit insurers for the business' suppliers etc; each of whom may decide to pre-empt their own 'rescue' agenda, potentially damaging an overall solution. In turnaround situations, our role is to ensure that all these agendas are recognised, and that all key stakeholders are consulted as part of any business restructuring, turnaround or recovery.

What are the main considerations when seeking to maintain the banks'/financiers' confidence in continuing to support businesses experiencing demise? How does PwC, (and Interim management as a management tool), aid this process?

IW To maintain a lender's or stakeholder's confidence in a business which is (in their mind) clearly distressed, certain questions need to be answered: What is the cause(s) of the present problems, what are the likely short-term ramifications (for them), what short-term/medium-term fix options are there and does management understand the situation. Furthermore, and vitally important, is management capable of delivering this fix (i.e. are they individually or collectively part of the problem or the solution), and what is the 'Plan B' should these intended fixes fail?

Our role on being introduced is to form answers to these questions. We use in-house or external consultants (often specific industry or functional experts), to help us understand and challenge management's thinking. We set out to benchmark their turnover plans against our own proven approaches and experience. If we feel there are management gaps to help the team resolve the business problems, we could both add our own advice, or increasingly, suggest Interim management additions to the business. We see the IIM as one of our sources for nominating possible Interim Managers with turnaround experience.

What are the key indicators, differentiating a company that is clearly moving towards insolvency and one that is salvageable?

IW Contrary to popular belief, most businesses get into trouble when there is an upturn - they have exhausted their reserves and working capital is insufficient to deal with the cycles.

There are two assessments to be made; is the 'business' viable (either as its whole or in part), and is the Company itself viable? It may be that the Company is unable to trade and meet its creditor payments, or stay within bank facilities – in which case 'the Company' is potentially insolvent. However, possibly within a different Corporate entity, with reduced debts and new capital, the business may be capable of being profitable. These options are part of the advice that we bring to businesses, together with assisting in such business restructuring and/or business value recovery.

In what circumstances do you have a need for Interim Managers, what type of professional disciplines are generally called for, and do you continue to act for the client once an Interim has been appointed?

IW We mostly have a need for Interim CEOs or FDs, to support or supplant management with turnaround situational experience. Industry experience is helpful, but 'situational T-shirts' are vital. If the Company is VC backed, previous VC stakeholder experience is also necessary.

Assignments may last between 3-6 months but normally 12-24 months; the Interims are contracted directly with the client, with us acting purely in an introductory capacity. We monitor their performance through the eyes of our clients (the bank or shareholders) - we may have a supporting official role.

What is your selection process and criteria in appointing Interim Managers for assignment to clients and the qualities you seek?

IW They must have experience of business in crisis and short-term cash management for stabilising a loss-making company, including preferably previous experience with VCs and banks. In turnaround, you need to achieve results, (say within 3-6 months) and make decisions rapidly. The acid test is that the company is running out of money, time is a luxury they do not have, therefore the Interim must be assertive, focused and work quickly, what you would call 'hit the ground running'!

GUILTY BY ASSOCIATION?

Go directly to jail, do not pass Go, do not collect...?!

Some Institute members will already be aware that 1 March 2004 was the date on which many of the provisions of the Money Laundering Regulations 2003 came into force. These Regulations replace earlier versions to extend significantly the obligations on people providing professional services, and they interlink to the Proceeds of Crime Act 2002 and the Terrorism Act 2000. Taken together, this legislation is draconian in application, and if you fall foul of the rules, there are criminal penalties of two years, five years or, at worst, 14 years in jail.

You may think from the title "Money Laundering Regulations" that they have nothing to do with you – you are, after all, a law-abiding citizen, not a drugs baron! Think again.

Amongst the business activities covered are:

'...the provision by way of business of services in relation to the formation, operation or management of a company'

An Interim would be hard-pressed to claim that he/she was not in business to provide services in relation to the management of a company. So what are your obligations? The answer is "too many and varied for this article" - the Regulations and Acts cover a wide range of duties and responsibilities you must fulfil, including obtaining satisfactory identity checks of your clients, keeping records of those checks, training yourself (and relevant staff, if any) on what the law says and how to recognise dubious transactions and activities, and reporting suspicions to the authorities.

Suspected criminal activity must be reported to NCIS, (National Criminal Intelligence Service). Matters to be reported cover more than just suspicions of money laundering – any suspected criminal activity will do, including fraud and tax evasion. And it doesn't just have to be suspicion of the Client; anybody you come across in a business context – eg a supplier – is included. And failure to report a transaction, which you should have suspected and which turns out to be money laundering, could be regarded as concealment – making you guilty (by association) of a money laundering offence.

The penalties under the rules are enough to ensure that things are taken seriously, rather than just "honoured in the breach". For example, failure to carry out an adequate client identity check carries a maximum two-year jail sentence. If you carry out the check but fail to keep a record for the prescribed time, two years. This whole area is important and merits your attention. In our continuing aim to facilitate members with up to date industry developments, the Institute will be providing more detailed information in due course, and not just a Good Jail Guide! In the meantime, we draw your attention to our event in Newcastle, which also covers this very topic as part of our broader program theme of protecting yours and your clients' interests.

INDUSTRY

NEWS

&

DEVELOPMENTS

IIM SECRETARY

TOM BRASS

OUTLINES THE

IMPACT OF THE NEW

MONEY LAUNDERING

LEGISLATION

FOR INTERIMS

WINDOW ON AN INTERIM MANAGEMENT ASSIGNMENT



IIM MEMBER
MARY DAY
EXPERIENCES
SUCCESSFUL
BUSINESS
PERFORMANCE
AND
ETHICAL PATIENT
CARE
IN THE INDEPENDENT
HEALTHCARE SECTOR

*'...sense of
accountability and
empowerment...'*

*'...a year full
of challenges and new
perspectives...'*

DAY IN THE LIFE OF THE INDEPENDENT HEALTHCARE SECTOR

A phone call leads to a meeting with a private investor, a Venture Capital Investment Director and a 12 month contract for IIM Member Mary Day

The deal was perilously perched and the FD and potential CEO Designate had been taken seriously ill. Mary Day's appointment as Interim FD became a last minute "condition precedent" of the revolving credit agreement with a major bank. She joined on day one of NEWCO, alongside the leading private investor who acted as CEO.

The specialist residential care company had been providing residential care and treatment to adults with Learning Disabilities, together with Challenging Behaviours, since 1989. Its early growth had been largely confined to the North of England but a new Acute Level care home in Scotland had just been awarded Independent Hospital status. The main entrepreneur, his business partner and their backers were selling out and the new investors were made up of some new blood, members of the existing Clinical team and the VC.

The business then comprised ten Residential Homes providing a range of care programmes. Placements were generally funded by Public Sector bodies such as NHS Trusts or LA Social Services. The new team were targeted to deliver profitable growth, doubling the size of business and expanding nationally over the expected investment cycle of 3-4 years.

As is often the way, the nature of the assignment evolved. Initially the brief was to get NEWCO established and back under control. The recovery of the previous FD became doubtful. The brief moved beyond immediate fire-fighting to concentrate on helping the business change and evolve to be "fit for purpose" to achieve the growth targets it had set itself. Internally the organisation itself needed to change both culturally and practically. Previously every decision had been made by the lead partner with very little financial and commercial information having been shared beyond the top triumvirate, all of whom had now gone.

A sense of accountability and empowerment needed to be fostered amongst both the Executive team and the first line management, all of whom were clinically strong, but commercially inexperienced. The core values underpinning the business growth already achieved, needed to be maintained and staff further motivated.

Looking outside the business, there was lack of definition to the business "product(s)", pricing and marketing to both existing and new Referring bodies. Due diligence had confirmed that the company had low visibility, even among its existing Referrers, and it had inadequate information on its competitors. Expansion plans required both property acquisitions, negotiation with regulatory bodies and managing local community expectations and preconceptions.

The calibre of the care staff was crucial to the continued success of the business. The strategy aimed to give a competitive basic package for all staff, with incentives for above average performers and additional responsibility allowances for senior staff, at all levels. Basic pay was also linked to local market factors. The outline strategy was communicated to employees with some changes introduced as part of the 2003 pay round, with further changes anticipated in 2004.

The early problems experienced with the 2002 Pricing Review underlined the importance of developing a coherent pricing and commercial strategy. The new Executive team needed to define the essential and unique elements of each of its 3 categories of Care Homes.

There was pressure from the Referrer to give cost breakdowns but this was resisted on the basis they were purchasing a package of care, in a comparable way to a hotel guest purchasing a hospitality package on a rate per night basis without demanding how much chambermaid services cost.

The previous owners had identified Scotland as the major area for expansion. However, after protracted and frustrating negotiations with the regulatory bodies to have a second potential property awarded Independent Hospital status, the Board finally decided that expansion south of the Border would be more fruitful. This meant that the company was running behind the timeline it had set itself, putting additional pressure on achieving incremental margin from fee re-negotiations.

After 12 months, a permanent FD joined to take the company further forward. He inherited a business that had evolved considerably in its first year under "new management", an excellent CEO appointed 3 months earlier and a finance team grown in size and skills. The first full year's business plan was on target and there were on-going projects in areas such as systems, staff cost controls and purchasing, as well as the expansion program to follow through on. For Mary Day, it was a year full of challenges and new perspectives on how an independent healthcare company can give ethical patient-centred care, but still deliver the business performance demanded by its Investors and Bankers.

InterIM Insight welcomes other Interim case studies of a broad professional and functional discipline, for publication in future issues.

Articles should not exceed 1,500 words. Please send your papers to interiminsight@ioim.org.uk

MEMBER BENEFITS



Institute
of Interim
Management



AND, DON'T FORGET THE.....

Member-get-Member Offer

Members will know that last year we introduced an incentive scheme designed to help boost membership by encouraging members to introduce Interim colleagues to apply to join the Institute. For every new member introduced, you will have the option of receiving a bottle of Champagne or a £20 credit against your next annual renewal subscription.

For further details of this Member incentive, please visit www.ioim.org.uk

Institute of Directors Membership

Save 50% on Joining Fee!

Our exclusive membership offer negotiated with the Institute of Directors. In addition to the many IoD member benefits, IIM members will receive a **discount of 50% on the Election Fee – a saving of £100** – for membership applications made throughout 2004.

The Institute of Directors, which represents the interests of over 50,000 business leaders across the UK, from all industry types, size and geographical locations, provides tangible business support to its members. Members join the IoD in their individual capacity as a director, partner or senior executive. In doing so, you become part of a network of UK business leaders, benefiting from especially negotiated products and services. These also include free access to and use of an increasing number of premises and business services across the UK and overseas – offering valuable resource, to conducting your businesses away from your HQ.

For further information including how to join, please call the IoD Membership Development team on:

T: 020 7766 8888

E: join-iod@iod.com or visit

W: www.iod.com/join

Full details of the offer are also available on IIM Members' Area.

Professional Development

Save 30% on Spearhead Training Courses!

As part of the Institute's aim in offering members additional benefits and to assist your professional development, we have negotiated a special arrangement with Spearhead Training. IIM members are offered a 30% discount on all Public Courses run by Spearhead Training.

Spearhead Training courses cover all the key business skill areas and these courses may assist you in gaining real competitive advantage by enhancing your business generating skills, as part of your Continuing Professional Development, or if you should wish to broaden your business portfolio into new areas.

Full details of the courses available can be found on www.spearhead-training.co.uk. Further details and booking forms will also be posted in the Members' Area, however, in the meantime, you can book directly with Spearhead Training quoting reference IIM-CPD-2002.3 as well as your IIM membership number. You can also take advantage of an additional 5% discount by booking on line.

Trade Journal Subscription Offer

33% discount to IIM members!

Blue Chip Publishing, a business-to-business magazine publisher, is offering IIM members 33% exclusive discount to their subscription-based monthly magazines, Mergers & Acquisitions and Advice4Growth, with an initial 3 months complimentary subscription commencing 1 February.

With a circulation targeted at board-level executives, Mergers & Acquisitions should be of interest to anyone involved in deal making and corporate finance, and includes regular features on corporate governance, corporate recovery and turnaround solutions, among other key industry topics.

Advice4Growth is aimed at small and medium-sized businesses with a circulation that covers, both private and public sector organizations alike.

For further details of how to subscribe to these magazines, please contact Blue Chip Publishing's Michael Tonks on:

T: 0121 248 0420

F: 0121 248 0439

E: michaeltonks@bluechippublishing.co.uk

W: www.bluechippublishing.co.uk

Call for Papers, News & Views

Articles, news and views, concerning the Interim sector are invited for publication in future Issues of ***InterIM Insight***, for the attention of the managing Editor:

E: interiminsight@ioim.org.uk

F: +44 (0) 20 7727 6081

T: +44 (0) 20 7727 4656

M: +44 (0) 7787 505 045

InterIM Insight also welcomes 'Letters to the Editor' (preferably by email) on any issues of concern, or suggestions for improving our services to the membership as well as our industry representation.

The next issue of ***InterIM Insight*** will be published in May 2004.

In the 'interim' wishing you much continued success with your assignments and business ventures from everyone at the IIM.