



WHITE PAPER



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Hello / Goodbye Management

Say “hello” to the new type of leader –
the interim manager

Management stability over time is usually a virtue. But, in today's fast moving business environment, with ever shortening product life cycles and intense merger and acquisition activity, growing organizations often find themselves in need of competent, experienced management for a specific purpose over a relatively short period of time. Say "hello" to the new type of leader -- the interim manager. And, a few months later, when the job is complete, you can also say "good bye".

The trend towards increased use of interim management is real. Boyden, a large and well-respected global executive search firm, saw the importance of the trend and launched an interim management division about 10 years ago. Today, Boyden identifies the interim search business as one of the fastest growing segments in its international practice.

The trend has also started to emerge in the world of venture capital backed life science companies. Venture capitalists are realizing that the value of many life science companies is within the science and technology, and these companies are sold long before becoming a fully integrated commercial entity. Recently, UK based Avalon Ventures has agreed with Glaxo-SmithKline (GSK) to jointly fund as many as 10 drug-discovery startup companies over the next three years. GSK, in return for its investment, gets the first rights to buy the new companies. As the focus becomes more on developing products instead of building companies, a part-time, interim CEO to drive the research efforts can be easier to recruit than a traditional CEO, and will be more cost effective.

Why Interim Management?

Generally, an interim manager makes sense when your organization has a management need, but also requires some form of flexibility. An interim management solution can help an organization:

- ▶ Apply scarce capital to product development not management infrastructure
- ▶ More effectively manage a key development project, or entry into a new market
- ▶ Lead significant, high-risk change
- ▶ Determine strategic direction before hiring the right leader
- ▶ Cover the sudden departure of a key manager

Apply Scarce Resources to Product and Market Development; not Management Infrastructure

Conventional wisdom has been to build a development stage company with a strong management team, starting at the top. In most cases this required the hiring of a senior executive at full salary and benefits and a substantial equity stake via stock options. Today's reality is that often the skills of such an executive are different than that required for a company in the development stage or one that is just being established to start its commercialization phase. And it is simply not a full-time position. Often, the result is that limited financial resources are used to over-pay for what is really required.

An interim manager whose experience is well-matched to the situation can be hired on a part-time basis with base compensation that may be 35 to 50% of that of a full-time position, without the added costs of benefits (cost is typically 20-25% of base pay) or severance pay, and no equity stake. There are no Human Resource issues as this would be done on a contract basis. A success fee could be part of the package to further shift start-up expenses to a point in the future when the business is financially viable or has been acquired. Such an arrangement is also attractive in the event of acquisition as there is no special pay-out provision for the most senior executive.



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An interim manager whose experience is well-matched to the situation can solve lots of issues for you.

Manage a Key Development Project

Key development projects have unique management requirements. The start-up phase of a project, or expansion into a new geographic market can be a much different management challenge than the ongoing leadership of a well-established company. In both cases, interim management can be a great solution.

New product launches are situations where extra management and specific skills are needed for a short period of time. The pharmaceutical industry has traditionally used interim talent working closely with company employees to manage the tight timelines and expanded workload of a product launch.

Entry into a new geographic market – especially a foreign market – is also a situation where an interim manager can be very effective. Establishing distribution channels, dealing with regulatory issues, and building a team with the right skills can be much easier for someone who has operating experience in the foreign market, with specific knowledge of the regulations and local marketing

practices. Having such an individual lead the company in the early stages minimizes risk for the parent company. Of course, this manager must be supported with product knowledge from the home office.

Lead Significant, High Risk Change

A well-established company may have failed to evolve with its changing business environment, or a younger company will have pursued a strategic direction that hasn't worked. At the urging of investors or shareholders, the company must be re-focused, re-organized and re-energized to survive. In these situations, an interim manager or interim management team can play an extremely valuable role. Armed with a fresh perspective and unencumbered by past modes of thinking or personal loyalties, the interim manager can bring a fresh start to the challenging task of redirecting the enterprise.

Determine Strategic Direction Before Hiring the Right Leader

Emerging companies are often founded on a platform technology, and many vertical applications are possible. In such situations, an interim “generalist” is usually preferred over a vertical market “specialist” during the early days of the company. Once the strategic direction is finalized, and a vertical market is selected as the preferred one to pursue, a permanent CEO with experience in that vertical market would be a good choice to lead the company.

Cover the Departure of a Key Manager

The departure of a key manager is also a good reason to hire an interim manager, to provide day-to-day leadership while the company takes the time to locate and recruit the permanent replacement. Using an outside interim manager is often preferable to the alter-

native of naming another company executive to fill the interim role.

Who Makes a Good Interim Manager?

When choosing a good interim manager, find someone with significant senior line management or project management experience, within a similar, but not necessarily identical industry. Why “similar”, but not “identical”? In many circumstances, an individual from the identical industry may not have the broad exposure or open mind to develop and try new ideas. This latter advice is especially true for circumstances where significant change is needed.

Of course, in addition to experience, the interim manager must be a confident, effective communicator, with a demonstrated ability to adapt and be flexible. He or she must have also demonstrated the ability to be a “quick-study”, ramping up to maximum effectiveness in a relatively short period of time.

Where to Find Interim Management

Many seasoned executives who could be appropriate for such interim management assignments are unavailable due to their being already employed in full-time positions. Some venture firms have utilized ven-

ture partners from their firms to fulfill such roles, but their availability and experience may be limited.

More and more companies are now utilizing healthcare consulting firms who specialize in providing interim management. They offer the advantages of having a team of seasoned executives who are highly experienced in a number of therapeutic and market areas and have actual real-life experience with other interim management assignments. In addition, they have the additional value of bringing an unbiased, objective mindset to the assignment and will be able to work hand-in-hand with the Board and other key stakeholders in providing sound business judgment prior to and during the implementation of any plans. Finally, they are more than willing to “work themselves out of a job” and are fully prepared to step out of the assignment at the appropriate time.

Key Points to Remember

Today’s fast-moving markets require new modes of thinking. Many business situations could benefit from interim management solutions to improve speed, efficiency or cost. In fact, this approach is being adopted by many in the venture capital community to rapidly bring new products to the marketplace.

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