

Russam GMS Ltd - Snapshot Survey - Dec 2010 – 18.1.11

The UK Interim Management Market

Highlights

- **Marked drop in activity levels in Interim Management – impact of Recession still felt**
- **Public Sector use fewer Interims whilst Financial Services and the Manufacturing/ Engineering sectors stay buoyant.**
- **Higher average pay rates reflect reduced demand for lower paid Interims**
- **Average ages move up slightly in this Survey**
- **Men/Women pay differentials widen**
- **Regional Pay variations remain constant**
- **No change in the way Interims feel about being Interim**
- **Interims getting better than Providers at winning assignments**
- **Recession emphasises role of the Interim Management Sector as the prime specialist supplier of General Managers, broadly defined.**

Marked drop in activity levels in Interim Management

At the end of December 2010, activity in the UK Interim Management Market has dropped by 8%. This follows an upwards surge of 11% at the end of June 2010 –which follows two periods of marked decline amounting to 14% as the recession gathered pace from late 2008. What appears to have happened is that the middle of the year saw an uplift in confidence and activity as the economy took the view that the recession was over. This went into reverse as the implications of the Comprehensive Spending Review started to take effect. What is also evident in the Survey is that pay rates and ages have moved upwards slightly which points more to the Market in this period moving slightly more towards using senior General Managers as opposed to more middle managers. This is seen as a temporary move pending the realisation that the less senior Interims have a key role to play and redundancies in this area have been overplayed, particularly when volumes start to pick up.

What will now be watched with both interest and concern is how the Interim Management market will behave in 2011. Whilst much media comment points to recovery and some economic indicators support it, many Interim Managers don't currently see this.

As a Sector, Interim Management covers all professional disciplines but the clear focus and where the Sector leads the UK resourcing market is in General Management roles, broadly defined.

| Respondents analysed over Professional Disciplines | | | | | | |
|--|--------|------|-----|------|-----|------|
| Disciplines | Dec-10 | % | F/T | % | P/T | % |
| Finance | 188 | 19% | 62 | 20% | 23 | 17% |
| General management | 340 | 34% | 98 | 32% | 54 | 39% |
| HR | 75 | 8% | 23 | 7% | 10 | 8% |
| IT | 69 | 7% | 19 | 6% | 7 | 5% |
| Not specified | 12 | 1% | 3 | 1% | 1 | 1% |
| Other | 102 | 10% | 33 | 11% | 17 | 12% |
| Production/ and/or Engineering | 55 | 5% | 18 | 6% | 6 | 4% |
| Purchasing and/or Distribution | 60 | 6% | 30 | 10% | 3 | 2% |
| Sales and/or Marketing | 104 | 10% | 23 | 7% | 17 | 12% |
| | 1005 | 100% | 309 | 100% | 138 | 100% |

However, in spite of a fall in activity levels, the average daily rate for Interim Managers rose from £592 in June to £613 in December which, incidentally, is the highest rate recorded since the first snap shot survey in 2000, but which should be treated with some caution at this time. Additionally, Interim Managers that work part time received a 6% boost in pay, with their rates rising from £568 in June to £601 in December. This contrasts interestingly with market sentiment that margins and daily rates are coming under increasing pressure. One explanation might be that when volumes fall, it's the more essential assignments that get done and at a fair market rate.

Public Sector use fewer Interims whilst Financial Services and the Manufacturing/ Engineering sector stays buoyant.

Notwithstanding some small sample sizes, it is clear that the Public Sector's use of Interims has dropped significantly with these figures pointing to a reduction of some 50% in Central Government and slightly less in Local Government. On the positive side, Financial Services and Engineering/ Manufacturing remain buoyant, although media comment is pointing to some easing in Financial services. Looking to the coming months and trying to anticipate where new Interim work is likely to come from, one probably needs to assume that these trends will continue.

What we don't cover in our research are areas such as activity in SMEs, heralded by the Coalition Government as a key planned growth area and the impact of a focus on sectors highlighted as important for national economic growth and exports.

| On Assignment by Sector | | | | |
|--|------------|-------------|------------|-------------|
| | Dec-10 | | Jun-10 | |
| | | % | | % |
| Banking Financial & Insurance | 51 | 11 | 47 | 9 |
| Construction & Property | 20 | 5 | 27 | 5 |
| Engineering & Manufacturing | 55 | 12 | 60 | 11 |
| FMCG | 14 | 3 | 16 | 3 |
| IT (Hardware / software / training & services) | 19 | 4 | 28 | 5 |
| Leisure Entertainment & Hospitality | 8 | 2 | 10 | 2 |
| Not for Profit/Charities | 34 | 8 | 44 | 8 |
| Food | 15 | 3 | 17 | 3 |
| Other | 62 | 13 | 59 | 11 |
| Professional services | 16 | 3 | 21 | 4 |
| Central Government | 25 | 5 | 52 | 10 |
| Local Government | 29 | 6 | 40 | 7 |
| Education | 10 | 2 | 14 | 2 |
| NHS | 34 | 8 | 32 | 6 |
| Pharmaceuticals | 10 | 2 | 14 | 2 |
| Retail | 12 | 3 | 18 | 3 |
| Supply chain | 14 | 3 | 17 | 3 |
| Telecoms | 13 | 3 | 15 | 3 |
| Utilities | 19 | 4 | 16 | 3 |
| Total | 460 | 100% | 547 | 100% |

| Interims on Assignment by Discipline | | | | |
|---|------------|-------------|------------|-------------|
| | Dec-10 | % | Jun-10 | % |
| Finance | 86 | 19% | 98 | 18% |
| General management | 156 | 34% | 156 | 28% |
| HR | 36 | 8% | 58 | 11% |
| IT | 28 | 6% | 44 | 8% |
| Other/Not Specified | 54 | 12% | 65 | 12% |
| Production/ and/or Engineering | 24 | 5% | 34 | 6% |
| Purchasing and/or Distribution | 32 | 7% | 43 | 8% |
| Sales and/or Marketing | 44 | 9% | 52 | 9% |
| Total | 460 | 100% | 550 | 100% |

Higher average pay rates reflect reduced demand for lower paid Interims

| Average Daily Rates | | | | | |
|----------------------------|--------|--------|--------|---------|--------|
| F/T | | P/T | | Overall | |
| Dec-10 | Jun-10 | Dec-10 | Jun-10 | Dec-10 | Jun-10 |
| £621 | £603 | £601 | £568 | £613 | £592 |

| Daily Rates by Discipline | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|
| Discipline | F/T | | P/T | | All | |
| | Dec-10 | Jun-10 | Dec-10 | Jun-10 | Dec-10 | Jun-10 |
| Finance | £613 | £579 | £606 | £568 | £609 | £568 |
| General management | £653 | £651 | £640 | £630 | £645 | £630 |
| HR | £623 | £613 | £646 | £614 | £638 | £614 |
| IT | £602 | £633 | £763 | £612 | £648 | £612 |
| Not specified | £517 | £0 | £800 | £0 | £588 | £0 |
| Other | £692 | £649 | £579 | £624 | £642 | £624 |
| Production/ and/or Engineering | £425 | £497 | £349 | £504 | £406 | £504 |
| Purchasing and/or Distribution | £596 | £543 | £625 | £564 | £598 | £564 |
| Sales and/or Marketing | £622 | £526 | £487 | £520 | £555 | £520 |

| Daily Rates by Sector | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| Sector | F/T | | P/T | | All | |
| | Dec-10 | Jun-10 | Dec-10 | Jun-10 | Dec-10 | Jun-10 |
| Banking Financial & Insurance | £737 | £643 | £778 | £669 | £744 | £651 |
| Construction & Property | £432 | £574 | £585 | £465 | £514 | £554 |
| Engineering & Manufacturing | £575 | £535 | £636 | £557 | £597 | £540 |
| FMCG | £597 | £640 | £1000 | £363 | £625 | £590 |
| IT (Hardware / software / training & services) | £624 | £671 | £360 | £718 | £540 | £689 |
| Leisure Entertainment & Hospitality | £670 | £725 | £725 | £417 | £648 | £528 |
| Not for Profit/Charities | £448 | £452 | £418 | £463 | £431 | £460 |
| Food | £615 | £415 | £535 | £660 | £583 | £492 |
| Not specified | £708 | £688 | 0 | £500 | £646 | £544 |
| Other | £660 | £657 | £788 | £581 | £696 | £646 |
| Professional services | £922 | £604 | £470 | £534 | £663 | £564 |
| Central Government | £765 | £618 | £665 | £595 | £744 | £610 |
| Local Government | £510 | £544 | £525 | £565 | £513 | £549 |
| Education | £583 | £643 | £725 | £875 | £661 | £676 |
| NHS | £563 | £580 | £605 | £555 | £577 | £581 |
| Pharmaceuticals | £514 | £605 | £580 | £556 | £547 | £598 |
| Retail | £529 | £683 | £500 | £600 | £518 | £670 |
| Supply chain | £555 | £668 | £413 | £500 | £525 | £590 |
| Telecoms | £686 | £698 | £550 | £675 | £663 | £692 |
| Utilities | £631 | £617 | £625 | £717 | £630 | £654 |

Average ages move up slightly in this Survey

Age issues are moving centre stage in the economic and business landscapes. Legislation, pensions, retirement challenges are all focussing attention on the need for people to keep working longer. This Survey points to the most volume going to Interims in their 40s who also get the highest daily rates, although there are more Interims in their 50s than in any other age range. In a recession, you tend to see less Interims in their 60s in demand as there are more Interims available generally but when the economy is busier, this situation reverses.

The average age in this Survey is 54 – up from 53 from the previous survey – which is 55 for men and 50 for women. We think that this slight movement upwards simply reflects less use of lower paid Interims. If an organisation focuses redundancies on the more middle management ranges, they don't replace them with Interims - until pressures on volume and, more particularly, quality, make this unavoidable – which is then followed later in the economic cycle by replacing Interims with Perms.

| Age Ranges of Interims | | |
|--|---------------|---------------|
| | % | |
| Age Range | Dec-10 | |
| Late 20's & 30's | 2% | |
| 40's | 21% | |
| 50's | 50% | |
| 60's | 27% | |
| Total | 100% | |
| % in Age Range actually on Assignment | | |
| | % | |
| Age Range | Dec-10 | Jun-10 |
| Late 20's & 30's | 50 | 76 |
| 40's | 59 | 63 |
| 50's | 47 | 48 |
| 60's | 34 | 42 |

| Daily Rates by Age | | |
|---------------------------|---------------|---------------|
| Age Range | Dec-10 | Jun-10 |
| Late 20's & 30's | 582 | 478 |
| 40's | 634 | 633 |
| 50's | 604 | 577 |
| 60's | 599 | 599 |
| All ages | 613 | 592 |

Men/Women pay differentials widen

This Survey contained only 11% Women compared. Whilst something a little less than 20% of our database are women, we invariably find that something a little less than 30% of assignments live at any one time are handled by women. We are not sure why this figure should have fallen. At 31.12.10, the average daily rate for women was £555 compared with £618 for men. Although the spread of professional disciplines of women Interims tends to be more focused than men, we do think that there is an unjustifiable shortfall. (Women Interims tend to be HR, then Finance and then Marketing and there is a higher proportion active in the Not for Profit/ Charity sector which pay less than the Private and Public Sectors.)

Regional Pay variations remain constant

These are the daily rates for assignments undertaken by Interim Managers in these regions but who may have travelled from other regions. This is why UK roads get clogged up on Monday mornings and Friday afternoons!

| Daily Rates by Region | | |
|-----------------------|--------|--------|
| Region | Dec-10 | Jun-10 |
| South | £639 | £615 |
| Central | £622 | £591 |
| West | £550 | £564 |
| North | £555 | £533 |
| Overseas | £719 | £771 |

No change in the way Interims feel about being Interim

Amazingly, these statistics have not changed materially since we started these Surveys in 2000. It points to continuing resilience and also open-mindedness amongst Interims.

| Interim Managers' Career Plans | | |
|--|-----------------|--------|
| | (% of all resp) | |
| | Dec-10 | Jun-10 |
| Would never take a permanent FT job | 28 | 29 |
| Would take a FT job if the offer were tempting | 49 | 49 |
| Would take a permanent PT job | 18 | 17 |
| Actively Seeking | 8 | 9 |
| Hoping Interim becomes Permanent | 3 | 6 |
| Happily move between | 41 | 40 |

Interims getting better than Providers in winning assignments

Invariably, in a recession, Interims do better than Providers in sourcing work. This is, generally, because they have more time because there is less work, Providers have limited marketing spend and there are no dominant players and Clients become more cost conscious, opting to handle their own recruiting rather than resort to Providers. As at 31.12.10, only 36% of the market was resourced through Providers, although this is 45% for full time assignments – which is what both Clients and Providers tend to focus on. The reality – and this is an increasing trend – is that part-time (portfolio) work (anything less than 5 days on a continuous basis) is on the increase. We think that this is particularly attractive to women although we have no statistics to support this.

What needs to be watched with interest is whether the 36% (Provider market share) rebounds when the economy improves. If it doesn't, it may suggest that disintermediation is on the increase – primarily through social media – mainly LinkedIn. Our own view is that however effective LinkedIn becomes, it will not change the volume of work in the market – it will simply shift market share away from Providers – who, it is reported, are finding LinkedIn an important and growing source of candidates.

Key points to note:-

- Not for Profit/Charities, Central Government, and Local Government (in this order) dominate the market in relying more on Providers to find their Interims, although this Survey points to significant reducing volumes through Central Government.
- Finance and HR are the professional disciplines relying most of Providers. This is seen as primarily reflecting the well developed nature of the Provider community in these areas.

| Source of Assignments | | |
|------------------------------|---------------|---------------|
| Through a Provider | % | |
| | Dec-10 | Jun-10 |
| Full-time | 45 | 54 |
| Part-time | 16 | 18 |
| Total | 36 | 42 |

| Source of Assignments by Discipline | | |
|--|---------------|---------------|
| Through a Provider | % | |
| | Dec-10 | Jun-10 |
| Finance | 51 | 53 |
| General management | 27 | 39 |
| HR | 45 | 35 |
| IT | 32 | 48 |
| Not specified | 25 | 0 |
| Other | 33 | 48 |
| Production/ and/or Engineering | 29 | 32 |
| Purchasing and/or Distribution | 50 | 49 |
| Sales and/or Marketing | 38 | 24 |

| Source of Assignments by Sector | | |
|--|--------|--------|
| Through a Provider | % | |
| | Dec-10 | Jun-10 |
| Banking Financial & Insurance | 37 | 49 |
| Construction & Property | 21 | 29 |
| Engineering & Manufacturing | 29 | 42 |
| FMCG | 43 | 7 |
| IT (Hardware / software / training & services) | 26 | 25 |
| Leisure Entertainment & Hospitality (low sample) | 67 | 11 |
| Not for Profit/Charities | 53 | 40 |
| Food (low sample) | 64 | 53 |
| Other | 30 | 36 |
| Professional services | 13 | 24 |
| Central Government | 52 | 73 |
| Local Government | 41 | 51 |
| Education | 44 | 43 |
| NHS | 32 | 59 |
| Pharmaceuticals | 40 | 50 |
| Retail | 27 | 25 |
| Supply chain | 57 | 40 |
| Telecoms | 17 | 19 |
| Utilities | 33 | 25 |

Notes about this Survey

- All the quantitative material supporting this survey is based on the Russam GMS database of registered interim managers, which we present as the most comprehensive working database in the sector and, in any case, is consistent with all previous surveys since 2001.
- Comparisons can also be made against every six month period going back to 1/1/01 – being when this series of the six-monthly Russam GMS Snapshot surveys started. These figures can be seen in detail on www.russam-gms.co.uk.
- We can analyse these figures down to underlying sectors and professional disciplines though need to be wary of samples becoming smaller.
- Estimates of the size of the market in the UK are offered by The Interim Management Association (www.interimmanagement.uk.com) and Russam GMS and are broadly similar although based on different statistical constituencies. Based on the standard definition of Interim Management (see below), the IMA has spoken about a market size of about £1bn. Our own crude way of measuring it is to add up the volume of business done (some needing to be estimated) by the mainstream Interim Management Providers - say 40 Providers turning over about £10m each = £400m and adopt the percentage of work reported by Interim Managers as being resourced through Providers which is – say - 40% and gross it up to 100%. This gives £1bn. Market watchers can form their own judgements based on this. But it is still small compared with other sectors of the temporary/contract work market.

About Russam GMS Ltd:

Russam GMS is the longest established mainstream provider of Interim Managers in the UK with a 30 year industry track record and this year was awarded the 'Best Interim Recruitment Agency' at the Recruiter Awards for Excellence 2010. The company is a search-driven consultancy and has a data base of 11,000 Interims which is the most comprehensive working database and range of contacts within the UK Interim Management industry. It provides Interims across a wide range of disciplines to board level across a variety of sectors including financial services, manufacturing, central and local government, financial services, aerospace and defence, healthcare, universities, charity and not for profit sectors and the private equity and venture capital sectors.

Russam GMS views the Interim Management Market more holistically and entrepreneurially than its competitors. It runs a unique Associates Programme for Interims which includes career advice, job news, events, training and its IND~EX Weekly newsletter to all its 11,000 registered Interim Managers. It has established www.Trustees-Unlimited.co.uk and also www.InterimWomen.com and has a growing number of JV arrangements with third parties building on its strong delivery capabilities across the broad Interim Management field.

Russam GMS Ltd - Interim Management

48 High Street North, Dunstable, Beds. LU6 1LA, 01582 666970.