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Short-term staff, long-term thinking

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Raj Tulsiani, chief executive of interim providers Green Park

Once, interim managers concentrated on covering maternity leave. But now the demand is to cut costs – and civil service leaders are bringing in interims to plan and enact painful change programmes. Matt Ross reports

Recent years have seen a blurring of some of the boundaries that traditionally marked out the UK's permanent, professional civil service. The proliferation of special advisers, management consultants and external recruits working inside government have all weakened the service's cultural cohesion and affected its power structures.

In fact, a counter-reaction is now evident, emerging most recently in the Better Government Initiative's criticisms of special advisers, the Conservatives' threats to axe consultancy spending, and the Public Administration Select Committee's concerns about external appointments.

Meanwhile, though, a fourth significant change to the staffing of government has attracted far less attention: the growth in the number of temporary, 'interim' staff being placed in senior human resources posts – generally to enact large-scale programmes of reform and release efficiency savings.

Hilary Husbands, a director of professional body the Institute of Interim Management (IIM), says that demand from government organisations has kept her members working during the recession. "For the first time, in the last 12 months the public sector has overtaken the private sector in terms of the number of [interim posts] completed," she says. "The ratio used to be 30/70, and now just over 50 per cent of interim jobs are in the public sector."

At the Interim Managers Association (IMA), vice-chairman Jason Atkinson sets out Ipsos-MORI research revealing that the industry's turnover has grown from £500m to £1bn over the last five years; more than half, he agrees, is public sector work. Trade through the government's interim procurement framework, he adds, has expanded five-fold to £100m a year.

Many public sector organisations, it seems, are scrambling to find interims who can help them save cash, in the hope of retaining their freedom of manoeuvre during the looming cost-cutting drive.

"It's important that organisations can provide evidence that they're reducing costs as they struggle to take control of their own agenda for change," says Raj Tulsiani, chief executive of interim providers Green Park. "It gives people the opportunity to say: 'We've instigated some cost-cutting. Let's see how that goes before going on to the second stage'. If they haven't got the evidence that they've done so, they haven't got a leg to stand on."

The cost cutters

Although Tulsiani balks at the loaded term 'hatchet men', he acknowledges that the main role of an interim is "to retain frontline services while cutting costs. Often this involves looking at partnership arrangements, so organisations can retrench to their core areas of expertise and commission some of these services externally."

There is also, notes Atkinson, fast-growing demand for interims skilled in strategic change, crisis management, process engineering and business improvement; for major projects such as shutting down a division or handling a relocation, he says, departments "just don't have that skill-set in-house."

John Yard, an interim currently working as head of corporate services at the Department for Environment, Food and Rural Affairs, is also clear that today's interims are there to prepare for the rocky times ahead.

"In an environment where the number of permanent civil servants have to be reduced and where contractor costs have to come down by 50 per cent or so, the prime role of an interim is to look at how you can help organisations to reorganise functions in order to operate with a slimmed-down structure," he says.

Much of this work may involve stripping out the long accumulation of systemic inefficiencies. The civil service is awash with "overlapping systems, dual responsibilities, inefficient processes – all created with the best of intentions," says Bridgette Cameron, chief executive officer of interim providers Alpine. "We find that our clients are continually frustrated by processes that are a lot more time-consuming than they need be."

Interims may, then, work out how to replace large numbers of low-skilled workers with a few highly-skilled professionals, or plan and manage the introduction of shared services to cut such costs as recruitment, call centres, HR operations and professional advice. "Government calls these 'back office functions'," says Jackie Hammond, an interim whose last job was as HR director of the Food Standards Agency. "But in the private sector, they're called 'overheads'."

Opportunity in adversity

In many cases, civil service managers may have been keen to streamline their operations for some time – but now the state of the public finances has given them the mandate to make painful changes. "Nobody welcomes the situation, but it provides the conditions to employ fewer, better people," says Tulsiani. "People are quite realistic about the fact that things are going to change; they're expecting a difficult period."

After a long period of public sector growth, Tulsiani believes, the skills to reduce head counts without prompting industrial action and disrupting services have become scarce among both private and public sector employers.

"The great training schools of industrial relations, like Ford and Grant Met and United Dairies, just don't exist any more," he says. "And the guys who do have that experience are far enough up the chain that they're not doing this work, so it gets pushed down the chain to people who don't know how to handle it."

For her part, Cameron suggests that the civil service's tendency to "move exceptionally good civil servants around at the rate of knots" mitigates against the development of in-house expertise in industrial relations. "It can be very tempting to fast-track exceptional people," she comments. "The downside is that you see a regular throughput of skills going back out of the organisation."

Typically, interims are brought in to do the job of an HR director; Hammond points out that such senior HR posts were scarce across the civil service until quite recently, and many such interims are taking up a brand new role.

The job title may vary, though, says Tulsiani: "They might be branded as organisational change or HR consultants, as restructuring experts, as chief restructuring officers," he explains. "If they're being asked to engage with unions or representative bodies, the job title tends to be around employee or industrial relations – but the role is very much the same."

Research, plan, act

During the initial stages of their work, interims perform a similar role to management consultants: they agree a set of target outcomes; research the current system, processes, working practices and personnel; evaluate the client's relationship with suppliers; and put forward a plan of action. Unlike most consultants, though, interims then put the plan into action themselves, working with operational staff as closely as they do with top management.

In both phases of their work, interims' effectiveness relies on their temporary status. "Interims don't have a 'small-p' political axe to grind in terms of the organisation's relationships and politics," points out Yard. "You don't need to protect your patch or your job, because you're not planning to stay on." And are such vested interests traditionally the main obstacle to change in the civil service?

"They can be," he replies. "Sometimes, people in permanent jobs get into that position without realising it. Psychologically, people have to think that what they're doing really matters – that's what sustains them – so it can be difficult for people to lift their eyes up and look around the pitch."

Given the objectivity and autonomy that come with distance, interims are free to work in their client's interest without worrying about their own relationships with individual staff members. "You can, eyeball to eyeball with the chief executive, say: 'This is where your problem is. You think this person is the hero, but actually they're the blocker'," says the ILM's Husbands. "You can't say that if you work for that person."

Clearly, when it comes to the messy detail of changing staff numbers, skills and roles, the interim's job is a highly sensitive one. "It's a surgeon's role," says Tulsiani; at its toughest, it involves identifying "where the opportunities are to help people who are underperforming or who've been sitting on the bench to self-select out of civil service careers." But people deserve a chance to raise their game or find a more appropriate role, he adds – a task that must be handled "in a sympathetic and humane, but timely, fashion".

Looking at the bigger picture, Jackie Hammond adds that if the civil service is to cut costs, it will have to offer less generous prospects of promotion. But she says the barriers to better performance management lie in skills shortages and poor management rather than inflexible employment contracts and privileged working practices. "If people are setting proper, smart targets, monitoring performance and being frank, open, honest and transparent, then the existing system can be made to work," she comments.

Finally, the interim must also create a cultural change among managers. "Cutting costs isn't about maths," says Husbands. "It's about using your influencing ability to bring people round to looking at how they spend money." Yard agrees: interims must encourage senior civil servants to "provide leadership as well as management", he says.

"There's a tendency for civil servants to be very good at managing things, but sometimes less good at thinking about doing things differently and inspiring people to think about the underlying purpose of what they're doing. Perhaps directors could give more thought to directing rather than managing, and sometimes avoid getting bogged down in the detail."

All being well, then, interims can produce significant improvements in organisational efficiency. But there is a caveat: interims are unanimous that they cannot operate without the wholehearted support and engagement of top management and key stakeholders. "There needs to be commitment from the top of the organisation, and your HR director needs to be able to influence the top of the organisation," says Hammond. "Without that, things don't happen."

Interims can help to build consensus around a particular plan, adds Cameron, but before they begin work there

needs to be a consensus among the key people that change is necessary. "The problems occur when you can't get the stakeholders onside – and bear in mind that most departments have links into other departments or into shared services that can prevent that leap forward."

Over at the IIM, Hilary Husbands has seen her share of weak leadership: "Quite often, those hard decisions aren't made," she says. "Time and time again, I see people chicken out of the right decision at the last minute."

Managing the risks

Employing interims is not, of course, risk-free in itself. Clients must ensure that an interim's job doesn't segue gradually into a semi-permanent role, compromising the tight schedule and operational autonomy that are the interim's greatest strengths.

Interims must ensure that permanent staff develop the skills to pursue change programmes after their departure, leaving an organisational memory that should save clients from having to hire them again in future. And organisations commissioning interims may open themselves up to criticism by politicians who object to their daily rates, which – at £400-800 – are lower than most consultants' but a lot higher than permanent staff wages.

Despite these risks, the use of interims within the civil service looks set to grow – and those daily rates fell dramatically in 2009, thanks largely to an influx of redundant managers entering the market; buffered by their redundancy payments, the new arrivals have been able to undercut more experienced interims.

While interims can no longer find cushy civil service jobs providing maternity cover or plugging a temporary staffing gap, demand for specialists in organisational change looks set to expand. As Hilary Husbands says, the forthcoming round of spending cuts are likely to push a new set of departments and agencies into bringing in interim managers who can, from their new vantage point within the client organisation, set about reducing overheads and streamlining systems.

"Over the next six months, I think there's going to be a big surge in demand," she says. "The primary care trusts and local authorities have had a lot of squeezing over the last few years. This time around, central government is going to have to take more of a hit."

The interim procurement framework: a big boy's toy

The procurement framework governing the use of interims is, say freelancers and smaller providers, geared to big consultancies; small and medium-sized enterprises (SMEs) say they can only access the framework as subcontractors or in consortia.

"The market is less competitive because of the frameworks that are in place," says Raj Tulsiani of interim provider Green Park. "I think they should focus more on prequalifying organisations and then giving purchasers more skills to purchase what they need." Another experienced interim, who asked to remain anonymous, explains that consultancies charge fees of 5-15 per cent to provide interims.

In response, framework managers Buying Solutions say that more than a third of the suppliers invited to tender for its interim framework are classed as SMEs, and that more SMEs may be appointed during the framework's life. "The competitive nature of the procurement and the commercial structure of the framework agreement will control costs and prevent excessive supplier mark-ups in supply chains involving subcontractors," a spokesman argues.

At the IIM, though, Hilary Husbands accepts that the framework does favour larger providers: "We're trying to work with government to iron out a few problems, but it's going to be a long time before it's changed."

A buyer's guide to interims

- Work out before seeking an interim exactly what outcomes you need to realise: it's not about performing a role, but achieving a result. "The clients have to get out of thinking about tasks, and think about outcomes," says Husbands at the IIM;
- Ensure that senior managers and key stakeholders support your aims and the introduction of an interim, and work out exactly what skills and abilities you'll require. "Frequently, time is wasted because there isn't a clear deliverable or there's internal conflict that prevents the deliverable from being achieved," says Alpine's Cameron;
- You're hiring a person, not an organisation. "You'll be working with an individual, so you've got to get someone who understands your issues and with whom you can discuss the big issues that you face," says Defra's Yard. "We tend to look at what can be measured, but you often get a better result by getting the intangibles right. There's something about having the right chemistry";
- Look for someone with soft skills as well as specialist expertise: "Being brilliant at something doesn't mean that you're a good change manager," says Husbands;
- Check that your interim has successfully delivered similar projects in the past. "You need someone who's done this before – preferably at a senior level," says Cameron;
- Monitor outcomes and timetables in meetings with, and reports from, your interim. Performance needs to be managed both ways;

- Make full use of interims' flexibility: people can be brought in as and when they're needed, and need not be paid throughout a project;
- Plan carefully for knowledge transfer – to the interim's replacement in particular, and to the client organisation in general.

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