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NEW Strategy Insights

COULD THE INTERIM **SAVE** CHRISTMAS?



A **Strategy Paper** from Bis Henderson Recruitment

As supply chains struggle to meet the challenges of a fast-recovering economy, labour scarcity and post-Brexit trading complexity, fears are growing of empty shelves leading into peak season. Rising ecommerce volumes and the driver shortage are creating the perfect storm. Interim managers can provide the skills needed to save Christmas, but firms need to act now to secure the best talent.

By Leigh Anderson, Managing Director at Bis Henderson Recruitment.

At almost every point in every supply chain, companies are facing unprecedented levels of change and uncertainty. Challenges from Covid to Brexit, driver shortages to microchip shortages, eCommerce to ethical consumerism, mean that businesses are having to learn, change and adapt their logistics operations at great speed, and often in areas where they lack high-level skills and expertise.

Existing managers and executives may be highly competent within business models that have evolved over decades with clear goals, but they aren't necessarily well suited to drive through rapid and radical changes, or to identify and implement viable solutions to multiple crises.

Critically, companies need to access the talents of individuals with quite unique skill sets and experience, often at a level that would be considered unaffordable and unjustifiable when stability returns. Nor indeed are these talents possessed by the sort of people who settle down for the long term. In these conditions the professional 'interim' manager, executive or technologist comes into his or her own. While pre-Covid, this had been a market in decline; in the past year Bis Henderson Recruitment has seen a very significant uplift in requests by companies seeking our help in making short-term appointments. This is even more pronounced now as supply chains enter the run-up to the crucial Christmas season, with every day bringing a new challenge.

Demand for interim assistance is up by around 500% – and there is a clear correlation with a comparable collapse in responses to advertisements for conventional, long-term employment.

In particular, we are fielding urgent requirements for Warehouse and Operations Managers, Transport Managers and Planners, and Shift Managers to plan and execute additional pick and delivery volumes through the peak.

However, we find that many companies, small and large, are cautious, even fearful about going down the interim route to meet their short-term skill needs. In this paper we explore the reasons for this, and reveal our poll findings that refute some of the myths and misconceptions around interims.

WHAT IS AN INTERIM?

Firstly, let's be clear what we mean by an interim manager or executive. This is not a catch-all term for any short or fixed term employment: indeed, technically, it isn't employment at all.

An interim is someone who brings a particular and rare combination of skills and experience to bear on a specific task, well-defined by goals and duration, typically of a project nature – although the approach can be applied to short-term senior management cover, or in 'disaster recovery' situations.

The emphasis is usually on successful implementation on time and to budget, rather than strategic planning and evaluation of options, which is more the realm of a consultancy. In our field the task may be bringing a new DC into operation, or implementing a new WMS, or, very topically, reconfiguring the transport network to make better use of available drivers.

Often, the appointment is additional to, rather than replacing, existing management – the latter of course still have the challenges of the day-to-day running of the business. There is often an expectation of significant skills transfer, to enable the permanent staff to successfully operate the new arrangements after the interim has moved on. Typically, an interim assignment will be for six months or less.

We say ‘assignment’ not ‘employment’ because the interim is not an employee – the relationship is that of a contract for services, not a contract of employment. The interim may be contracted with directly as a self-employed individual or via their own personal service company, or through an intermediate such as Bis Henderson Recruitment.

However, an interim is not a substitute for what would normally be a payroll position. It isn’t a tax avoidance scheme, for either party, although if appropriately applied, an interim appointment can reduce taxation paid. Nor is its purpose to allow the company to avoid non-salary labour costs – a sort of gig economy for the higher paid – although reduced employment costs can also be the result.

Importantly, it isn’t appropriate, or lawful, if for example it is envisaged that the same interim will carry out a whole series of back-to-back projects – which has been a common abuse in IT and other fields. Less clear-cut, but it may also not be appropriate when the appointment is simply to ‘hold the fort’ while the search is on for a long-term employee. In these cases, a short or fixed term contract of employment is the way to go and Bis Henderson Recruitment can help here too.

WHAT OUR SURVEY REVEALS

Although our in-box is full with enquiries about interims, we know many companies still have reservations. To better understand the reasons for this we recently ran a survey among our contacts on LinkedIn, with interesting results. Four particular concerns stood out.

CULTURAL ALIGNMENT

Nearly a **fifth** of our respondents cited concerns over the linked themes of ‘Slow Integration’ and ‘Cultural Alignment’.

Worries about the speed at which the interim can be integrated into the organisation are misplaced – one of the virtues of appointing an interim is precisely that these are people who expect to hit the ground running from hour one, day one. This is how they make their reputations. In practice it may be the interim who is more concerned about how quickly the permanent staff that he or she will be working with can come up to the required sense of urgency.

Cultural alignment can be somewhat more problematic, especially since one of the reasons for bringing an interim in may be precisely to over-ride ‘not invented here’, ‘we’ve always done it this way’ attitudes. A lot depends on the ability of the company’s managers and directors to pave the way, explaining why the interim is being brought in and what it is intended should be achieved. This has to be done skillfully, without suggesting that existing staff have in any way failed or are in some sense inferior – after all, they will still be with the business long after the interim has moved on to their next assignment.

THE DREADED IR35

Some **25%** of our respondents voiced concerns about their liabilities under the famous ‘IR35’ rules, which were finally introduced for larger private companies in April this year, after a long period of controversy and, some might say, scaremongering.

Bis Henderson has worked hard to create a seamless process for recruiting interim managers and has taken the hard work and risk out of ensuring that contracts are ‘IR35 proof’.

The rules exist to prevent individuals and companies evading tax, especially National Insurance, by falsely claiming self-employed or contractor status. The rules themselves haven't changed much – what is new is that whereas it used to be for the individual to assert their self-employed status, for larger companies the onus is now on them to show that they have considered each case and that the self-employed/contractor status is genuinely 'outside IR35' and therefore off the payroll.

Consequently, some businesses have panicked and placed a blanket ban on off-payroll appointments. This is quite unnecessary and, in so far as it denies them access to the skills they need, positively harmful. We can help businesses who are unsure how to navigate the legislation, and find that in practice most cases are fairly obvious. If the assignment is tightly defined, of limited duration and unlikely to be renewed or extended, and it requires skills and experience at a level the company wouldn't normally need, or can't maintain in-house, then that should be safely outside IR35.

On the other hand, if it is contemplated that the interim will be tackling a series of back-to-back assignments of a similar nature, or the timescale is open-ended, or a significant part of the task is normally carried out by a salaried employee, then that may well attract the attention of HMRC, which can involve payment of back taxes, penalties, possibly retrospective benefit payments to the 'employee' and general unpleasantness. If you really have to go through hoops to justify off-payroll status, then you probably shouldn't.

In our experience, though, it is a mistake to think just in terms of IR35. If the requirement is indeed ongoing, regular, or recurrent, surely it is a core element of the business – why wouldn't you make every effort to bring that in house rather than relying on external parties (interims or consultants or various third party support services) at considerable extra long term cost.

COST AND VALUE

Which brings us to our clients' principal concern around interims – that of cost: a worry for **39%** of our sample – and therefore, a far bigger concern than the IR35 issue.

Of course, an interim will expect a day rate equating to significantly more than the salary of a full time employee in a similar role. However, any comparison should consider all the costs.

In the first place, a comparison assumes that similar skills are readily and immediately available on the conventional jobs market, which is less than likely. And the extra money is limited to the short duration of the contract, usually just a few months. It should have no impact on future employment costs once the interim has moved on. In the end, the client company is paying a premium for instant access to high-grade skills. Is it worth making that investment? Is it worth taking the risk of not making the investment?

YOUR CALL

And when we look at the bottom line, the cost difference, while still real, is substantially less. As every company director knows, there is a lot more to employment costs than annual salary, and a lot of these disappear under an interim contract for service.

Most obviously, there is no employer's **National Insurance** to pay, which would be £30,429 extra on a £140,000 salary. There is no **holiday pay**. There is no employer contribution to **pension** schemes. There may be savings on a range of other **employment benefits**, depending on what the company offers, but these might include **bonus** schemes, **healthcare** plans, gym memberships, stock options. The company isn't paying for a laptop or a **company car**, or unless otherwise agreed a range of business **expenses**. Being off payroll, the contract doesn't increase the firm's Apprenticeship Levy payments.

Taken all together, the difference in employment cost between an interim and a permanent staffer of comparable abilities, if such were available, looks not unreasonable.

There are other less tangible benefits. There are no extra HR, Payroll and other admin costs (the interim is paid by Bis Henderson Recruitment, and we invoice the client for our services). There should be no training or on-boarding costs. A large part of the recruitment costs, from scoping the requirement to conducting interviews and assessments, are included in our service charge as are necessary background checks, verification of adequate Professional Indemnity insurance, work permits if relevant, and so forth.

Crucially, the interim route delivers results fast – we average seven days from initial client contact to a contract being signed, and there is a negligible learning curve: interims start making a contribution on their first day.

In the current climate and with a Christmas peak looming that may be quite unlike previous years, firms need to be asking themselves some critical questions:

- 1. What could possibly go wrong?**
- 2. Do we have a full management team in place for the peak, with the support they will need?**
- 3. Are they all battle-ready and war-gamed?**
- 4. Are we confident that our plan is robust?**
- 5. Do we have contingencies in place for most eventualities?**

If this reveals vulnerabilities, discuss with us the potential for appointing interim managers to reinforce the team.

IN SUMMARY...

We don't claim that the interim route is the way to go for every situation – we can offer objective advice and indeed, we can help with your short or fixed term employment requirements as well. But in twenty years we have made more than 2,000 very successful high-level appointments, with repeat business from our clients and our interims.

In these turbulent times, logistics and supply chain companies need motivated individuals with the right skills who can quickly understand and augment a rapid response to a given challenge. Interim appointments offer a key way of achieving the necessary agility quickly – and for many businesses, if they can see past some of the perceived barriers, they might just save Christmas.

Bis Henderson has seen the supply chain sector through numerous stages of its evolution; from high street to internet, from paper to handheld, from spreadsheets to blockchain. This next era whilst daunting, may just herald the most exciting changes in supply chain recruitment since the emergence of the Web.

If you need an Interim to support you during the upcoming Peak Period, someone who can hit the ground running and bring value from day one - our interim recruiters have access to a pool of hand-picked, personally vetted specialists. Act now to secure the top talent you need.

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