



IIM Guide to how a Client should price an Interim Manager

July 2019 (3rd edition)



How should a client price an interim manager?

When businesses look for an interim manager, they sometimes mistakenly value the 'interim day-rate' based on the pro-rata cost of an 'equivalent' permanent. An interim manager is not an 'agency temp'.

The actual cost of employees

This worked example shows why: On top of an (example) £100,000 base salary, add company NI, benefits costs and variable employment costs. Then, factor in all the holidays, bank holidays, sick days, jury service, training days, burst boilers and compassionate leave days that you pay for. The following figures are approximate, but give a good sense of what your employees actually cost you:

Employee base pay (example)	£	100,000	100%
Company national insurance (limits apply. Rounded)	£	10,000	10%
Car allowance	£	8,000	8%
Medical, life insurance and other benefits	£	4,000	4%
Employers' pension contributions (often higher or 'final salary')	£	8,000	8%
Bonus and other incentives (can be much higher)	£	15,000	15%
Employee absence (52 days not worked, <i>but paid for</i>)	£	20,000	20%
Total costs to the business for 208 days worked:	£	165,000	165%
Total cost to the business for each employee working day:	£	793	0.8%

Employers offering 'pro-rata' employee base-pay rate to an interim manager are offering a rate around a third less than the 'equivalent' employee's package. That significantly reduces the likelihood that a genuine professional interim manager or executive will express interest in your assignment.

A good rule of thumb is that an interim manager will charge around 1% of an 'equivalent' salary per day. That allows them to match what an employee would be paid and cover their own business costs.

Any 'savings' on engaging a 'cheap interim' may be swallowed up delays and recovery costs if the assignment proceeds poorly or if the 'cheap interim' leaves you in the lurch. You get what you pay for.

The actual value of professional interim managers and executives

Engage in a fee discussion on the basis of the **added value** that interim managers offer through:

- **Return On Investment** – delivery of a solution that gives real benefit to the client
- **Speed** – being quickly available and able to make an impact quickly
- **Expertise** – being sensibly over-qualified with a wealth of skills and knowledge
- **Objectivity** – outside of company politics with a business focused perspective
- **Accountability** – being instrumental in an assignment's successful delivery
- **Effectiveness** – with the authority and credibility to effect significant change or add value
- **Commitment** – a professional interim approach to deliver then exit in a good way

For real added value, engage a proper interim manager.