Interim Management in Germany - A Multi-Theoretical Examination

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Abstract:

The study focuses on the organizational perception of Interim Management. We try to determine what prompt organizations to hire Interims and what distinguishes them from other companies. Therefore, we use established organization theories, namely Transaction Cost Economics, New Institutionalism, and the Flexible Firm Model which have been frequently used in studies of external labor arrangements to determine why organizations hire Interim Managers. Generated hypotheses, which are tested using a sample of multinational corporations in Germany, suggest that the chosen theories are quite suitable for explaining the utilization of Interim Management. However, as this is - to our knowledge - the first study focusing on the organizational perspective, it is a valuable endeavor to this so far rarely discussed phenomenon.

Keywords: Interim Management, Transaction Cost Economics, Flexible Firm, New Institutionalism, Empirical Study

Introduction

Today Interim Management -although not as well established as management consultancy - constitutes a phenomenon in the business world. In academic literature, scientific and empirical studies are widely lacking so far. The Number of studies conducted by Interim Management providers in cooperation with scientific partners is continually growing but they are solely focusing on the perspective of the Interim Manager. Further, as these studies are conducted by service providers or Interim Management associations it is a moot question whether the results are reliable due to their economic interests.

Addressing this deficit, we analyzed the German dataset of the Cranfield Project in International Human Resource Management from an organizations' perspective. For this purpose, we use different organization theories, namely Transaction Cost Economics; New Institutionalism and the Flexible Firm Model which has been frequently used in studies of external labor arrangements (Masters, 1998; Sloane, 1989; Williamson, 1981; Tregaskis & Brewster, 2006; Gooderham & Nordhaug, 1997) to generate hypotheses. As these theories has proven to explain the use of external labor arrangements such as temporary workers, we test their explanatory power in predicting the use of Interim Managers, which indeed is a form of external labor arrangement.

We start off with a definition of Interim-Management, followed by its delineation from temporary agency workers and management consultancy. Arguments from Transaction Cost Economics (TCE); New Institutionalism and the Flexible Firm Model guide us through theoretical analysis. Hypotheses generated are tested using the German sample of the Cranet data set on International Human Resource Management.

Interim Management in Germany

Whilst management consultancy and temporary contracting are well known employment arrangements, the understanding of Interim Management varies widely due to the fact that Interim Management is not a protected name. Following Bruns & Kabst (2005: 514), we define Interim Management as "[…] the temporary transfer of external leadership personnel into an enterprise with the objective to perform selected managerial tasks. Interim-Managers will be equipped with the necessary competence and authority to give instructions for task performance."

Although temporary contracting and management consultancy bear resemblance to Interim Management on some issues, there are strong distinctions between these employment arrangements. While temporary contracting is usually used for low-sill tasks, Interim

Managers are employed in upper or top management. Furthermore, temporary agency workers are subject to the directive authority of the hiring firm (of the client) through the labour leasing contract, whereas Interims and consultants are engaged under contracts of a certain output or of a personnel service with the client (Alewell et al., 2005). The central difference between Interim-Management and management consultation is the nature of the task and the authorities connected with it. While the classic management consultation concentrates on the conceptual and analytical area, Interim Management develops problem solutions and focuses on their implementation and enforcement (Clutterbuck & Dearlove 1999). Greiner & Poulfelt (2005: 30) regard "Interim Turnaround Management" as a deviation from the traditional consultant and a part of a supplementary broad array of newly developed "non-consulting services".

In Germany, Interim-Management has been utilized since the beginning of the eighties. A first noticeable breakthrough of Interim-Management, however, took place due to the demand for Interim-Managers initiated by the German privatization agency after reunification. The restructuring of formerly state-owned companies in Eastern Germany had increased the demand for Interim-Managers considerably, in particular as necessary management and leadership competency was not available in Eastern Germany. Furthermore, the economic downturn of the so-called 'old economy' in the nineties and the very ambitious forecasts of the 'new economy' at the end of the nineties gave a strong growth-stimulus to the Interim-Management.

In order to contribute to a deeper understanding of Interim Management and what prompt organizations to hire an Interim, we try to explain organizational decisions by means of organization theories.

Transaction Costs Economics – Make or Buy lacking management expertise?

Transactions cost theory (Williamson 1981, 1984, 1985) considers alternative organizational forms of economic activities in the light of efficiency. Three basic assumptions characterize the behavior of the actors: bounded rationality, opportunism and foresight (Williamson 1981; 1985). Transactions seem to be efficient if they have the lowest accumulated production and transaction costs comparatively. Transaction costs imply every sacrifice and disadvantages incurred form the handling of goods and services. These transaction costs can be differentiated between ex-ante and ex-post costs (Picot 1991). Ex-ante costs like the costs for initiation and agreement arise prior to the transaction whereas ex-post costs like cost for control and customization occur afterwards (Picot, Dietl & Franck, 2005; Williamson 1985).

Concerning Williamson (1985), the cost level is basically determined by the transaction characteristics. These are *transaction-specific assets*, *parametric* and *behavioral uncertainty* in connection with the transaction as well as the *frequency* of a transaction. Specificity is the central determinant for the choice of governance structure. Williamson (1985: 56) argues that "asset specificity is the big locomotive to which transaction cost economics owes much of its predictive content". Specificity is defined as the difference between the intended use and the second best use of the resource (Klein et al., 1978). The higher such differences are the higher is the specificity.

Williamson (1991: 281) distinguishes between six different forms of specificity:

1. Site specificity
2. Physical asset specificity
3. Human asset specificity
4. Dedicated assets
5. Brand name specificity
6. Temporal specificity

In the following, we concentrate on *Human asset specificity*. Specialization in a particular field may give rise to human asset specificity. Where an employee had developed special skills that are useful only to a particular employer, the employee has developed a cartain degree of human asset specificity. Thus, Human asset specificity subsumes features like specialized trainings or characteristics that make employees uniquely suited for a specific task and less suited for other alternatives (Masten, Meehan & Snyder, 1991).

Uncertainty can be distinguished between parametric und behavioral uncertainty. *Parametric uncertainty* refers to the extent to which it is difficult to accurately predict future states of the world (Williamson 1981). The construct is driven by an industry environment that is very dynamic and/or very complex and difficult to grasp. *Internal uncertainty* is the extent to which it is difficult to assess performance (Williamson 1981). Thus, when internal uncertainty is high transaction costs increase due to higher costs of control.

On the basis of these transaction characteristics, TCE tries to explain why transactions in a certain institutional arrangement operate with more or less efficiency. Markets and hierarchies (i.e. firms) are the polar modes to which hybrids (long-term) contracting is an intermediate mode (Williamson1985, 1991). Transactions which require a high amount of specific investments should be internalized within a firm completely because high specificity opens the door for opportunistic behavior and therefore gives incentives for vertical integration. Otherwise, when transaction-specific investments and uncertainty are low, the market is the most efficient coordination mechanism. Hybrid solutions combine market and hierarchy

elements. Comparatively, they have the lowest costs when asset specificity is moderate (Williamson 1991.). Over the last 20 years TCE has emerged as a predominant theory to explain make-or-buy decisions (Shelanski & Klein, 1995; Richman & Macher, 2006; Argyres, 1996; Poppo and Zenger, 1998).

In respect to the assignment of an Interim Manager, TCE is also helpful for coming to a make-or-buy decision. If an organization is lacking the know-how to carry out a certain task it has different opportunities. On the one hand, it can build up knowledge internally by increasing its efforts in training & development. On the other hand, it can buy this lacking know-how in form of an Interim Manager. TCE may be used in this case to determine which certain institutional arrangement operates with more or less efficiency.

According to the efficient labor arrangements (Williamson, Wachter & Harris, 1975), spot market contracts constitutes the most efficient governance mode when the task fulfillment does not require firm specific knowledge and barley gives leeway to opportunistic behavior. Further, the nature of work should not be permanent or occur too often because internalizing transactions like hiring employees require a substantial investment in the governance structure. Such costs are only justified if the transaction may recur with some frequency (Masters, 1998). Because Interim Management constitutes an example of spot market contracting for managerial tasks, it is the most efficient governance mode when human asset specificity, behavioral uncertainty and the likelihood or repetitions are low. Otherwise, if the task fulfillment increases the likelihood of opportunistic behavior due to transaction-specific investments, hierarchical structure is the most efficient governance mode. Figure 1 summarizes TCE's way of looking at possible fields of application for Interims.

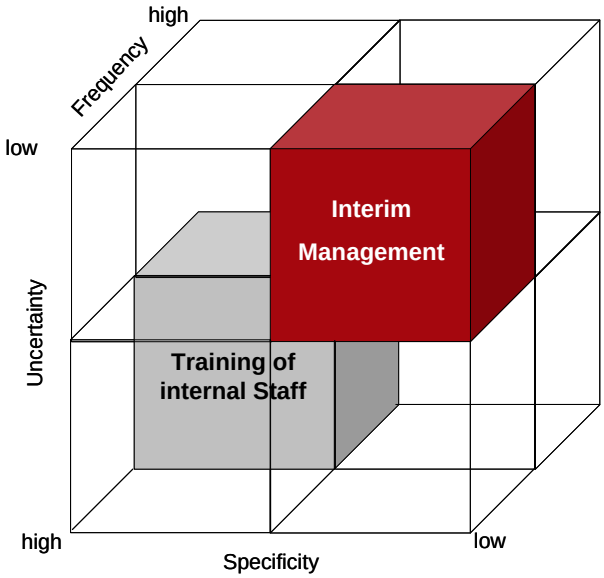

Fig. 1: Possible field of application for Interim Managers

Summarizing the argument, Interim Management can be explained by transaction cost economics. In cases of low human asset specificity as well as low behavioral uncertainty, Interim-Management constitutes the most efficient governance mode. Therefore, our first hypotheses are:

Hypothesis 1a: *The lower human asset specificity, the higher the likelihood of utilization of Interim Managers*.

As some studies even use product complexity as a proxy of human asset specificity (Rangan et al., 1993), we also test for this kind of specificity.

Hypothesis 1b: *The lower the firm's product specificity, the more likely it utilizes Interim Management*.

Hypothesis 1c: *The lower the behavioral uncertainty, the higher the likelihood of utilization of Interim Managers*.

Hypothesis 1d: *The lower the parametric uncertainty, the higher the likelihood of utilization of Interim Managers*.

If companies come to a decision in favor of utilizing an Interim instead of training internal managers, those companies, in reverse, should have lower expenditures for training activities.

Hypothesis 1e: *The lower the expenditures for training activities, the higher the likelihood of Utilization of Interim Managers.*

New Institutionalism

The New Institutionalism (NI) tries to overcome the shortcomings of economic theories by integrating the embeddedness of organizations in social institutions. Generally, institutionalists vary widely in terms of their emphasis on the macro or the micro dimensions (DiMaggio & Powell 1991). Microinstitutionalism considers the sources of institutionalization as being located internal to organizations. Macroinstitutionalism, on the other hand, assumes that these sources are within the external environment of organizations (Bresser & Millonig, 2003). Concerning this view, organizations are passive entities that

respond to their external environment. Organizational practices and structures are not only chosen in terms of efficiency but also in pursuit of legitimacy. In order to gain legitimacy and resources, organizations must comply with the pressures from their institutional environment by adopting institutionally desirable structures and processes. Conformity to these pressures results in organizations changing their structural arrangements to become isomorphic with institutionally prescribed expectations but also assures organizations their access to resources. Thus, institutional isomorphism promotes the success and survival of organizations (Meyer & Rowan, 1977). Furthermore, organizations increase their legitimacy and their survival prospects, independent of the immediate efficacy of the acquired practices and procedures.

DiMaggio & Powell (1983) identify three mechanisms through which institutional isomorphic change occurs: 1) coercive isomorphism resulting from political influence is the forced adoption of certain practices; 2) mimetic isomorphism that stems from standard responses to uncertainty and is the process of voluntarily adopting Best Practices of other more powerful or successful organizations; and 3) normative isomorphism, associated with professionalization. All of theses processes can be seen as attempts by the focal organization to legitimate itself in the eyes of powerful environmental players (Meyer & Scott 1983).

In empirical research, institutional models have commonly been used to examine a wide variety of management practices ranging from downsizing (Budros, 2000, 2002; McKinley et al., 2000; Weller & Kabst, 2007), make-buy decisions (Debbink, 2001), or specific HR practices (Baron et al., 1986). By adopting certain legitimate management practices, these practices quickly diffuse from industry leaders to less powerful organizations. We argue that Interim Management constitutes a legitimate management practice at least since the dismissal of Ron Sommer as the CEO of the German Telekom AG whereby the former retired chief stepped into his old job on an interim basis in 2002 (Bruns, 2006). Therefore, we suggest that firms adopting institutional rules more often use Interim Managers.

Hypothesis 2: *The more companies orienting themselves to their environment and adopting social institutions the higher the likelihood of utilization of Interim Management*.

The Flexible Firm

For more than two decades by now, atypical forms of employment have attracted the attention of academics and practitioners as well as policy-makers (Bosch, 2004; Kalleberg, 2000). All theoretical contributions on flexibility are informed by the seminal work of Atkinson (1984).

Atkinson's model of the flexible firm determines the firm's ability to react rapidly to changing demands of the environment. According to Atkinson, flexibility can be classified in functional und numerical flexibility (see Fig. 2). *Functional flexibility* refers to the degree to which employees are able to perform different tasks and functions within the company. This kind of flexibility can only be achieved through the core workforce from the primary labor market. The core workforce is a stable and skilled group of employees with in-depth knowledge of the company and its processes focusing on the organization's key and firm-specific activities. A central characteristic of core workers is that „their skills cannot readily be bought-in" (Atkinson 1984: 29). Further, core workers enjoy greater job security and career development. *Numerical flexibility*, on the other hand, is realized through a less qualified peripheral workforce from the secondary labor market. According to Adams (1991) numerical flexibility allows an organisation's headcount to be easily increased or decreased in response to every fluctuation in the demand for labour. Employers achieve numerical flexibility when employees work part-time, fixed-term, zero hours, annual hours or from home. It also entails the use of short-term and flexible contracts with 'outside' labour (home workers, agency workers and temporary workers) employed either on an intermittent or longer-term basis.

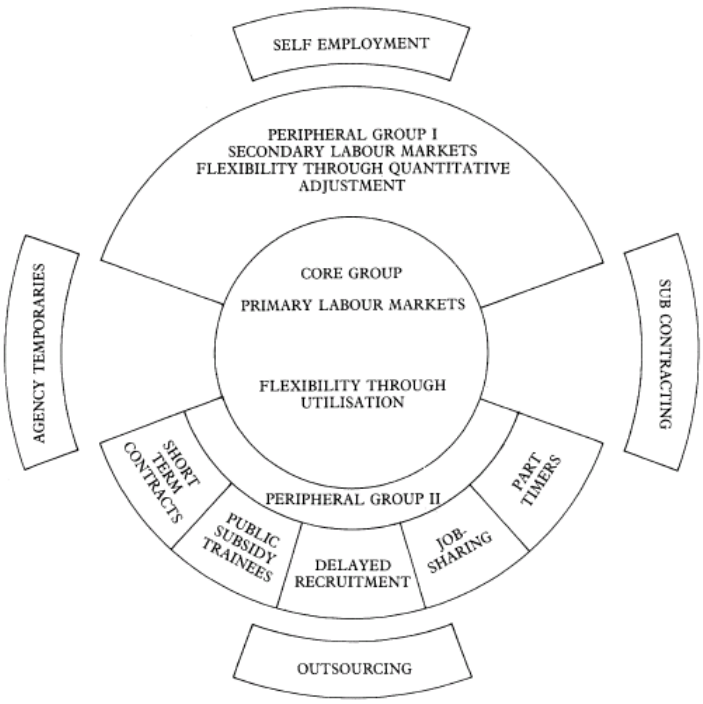

Fig. 2: The Flexible Firm (Atkinson, 1984)

The peripheral workforce is in turn subdivided into two groups. The first peripheral workforce also consists of employees of the firm but they are offered a job, not a career. The first

peripheral workforce carries out routine and low-skill tasks. Moreover, they enjoy a lower level of job security, and therefore, their employment is more vulnerable to fluctuations in product demand. The second peripheral workforce supplements numerical flexibility of the first peripheral group with some functional flexibility. This group of workforce provides skills which are only required temporarily. Thus, they are employed either on a part-time or temporary basis and, however, are most exposed to fluctuations in demand. The disposability of the peripheral workforce enables an organization to increase or decrease headcount depending on their needs.

Jobs which are not at all firm-specific, because they are very specialized or trivial are likely outsourced through the use of sub-contracting, self employment or temp agencies. Although the "flexible firm model" does not mention explicitly that this kind of workforce can perform sophisticated management tasks, we argue that even significant and strategically sensitive management work can be done by "external" Interim Managers in order to increase the firm's flexibility. Interim Managers provide firms with skills or know-how which they are lacking or need temporarily. Thereby, the assignment of Interim Managers not only permits great numerical flexibility (match the number employed/working exactly the number needed), but also increases the functional flexibility by temporarily hiring in missing competencies to complete special and novel tasks. Further, Interim Managers have chosen Interim Management as their career, and therefore, it is sufficient to offer them job instead of a career.

All this is in line with Atkinson's argumentation but has never been explicitly transferred to upper or top management. This is astonishing because Interim Managers are quite often called "Top Temps" (Finn, 1998: 52; Sparrow, 2006: 29) or "temps in the executive suite" (Brown, 1990: 43) in press and different forms of flexibility, the dissemination across national borders, as well as the impact on organizational performance and on industrial relations have been studied intensively.[1] Past research, however, mainly focuses on flexible arrangements for blue-collar and white-collar workers, leaving out flexibility of management.[2]

Firms having reduced their core workforce, i.e. in order to be "lean", are forced to externalize business processes to others, and thereby, increasing their peripheral workforce. We propose that firms having a large peripheral workforce use Interim Management more often. This leads to the conclusion, that the larger the peripheral workforce, the more likely firms use Interims. Hypothesis 3a summarizes our argumentation.

[1] See for example special issues of Employee Relations in 1997 (Vol. 19 No. 6) and 1998 (Vol. 20 No. 5) for an early and international comparative analysis of different forms of flexibility, or special issue of Management Revue in 2005 (Vol. 16 No. 3) for a discussion on atypical or precarious employment.

[2] Exceptions are Mallon & Duberley (2000); Nesbit (2006).

Hypothesis 3a: *The larger a firm's peripheral workforce, the more likely it utilizes Interim Management*

Additionally, we claim that Interim Management increases flexibility and that firms - which already use traditional forms of flexibility enhancing types of employment – also use Interim Management.

Hypothesis 3b: *The higher the numerical flexibility of a firm, the more likely it utilizes Interim Management*.

Methodology

Data

The basis for the empirical analysis is provided by the data set of the Cranfield Network on International Human Resource Management (Cranet). Cranet is an investigation of company practices and policies in human resource management on an international level. Data is collected via mail survey sending out standardized questionnaires to private and public organizations. Addressees are the managers responsible for human resource management in the organization. This study draws on the German data of the sixth round conducted during the years of 2004/2005. In Germany, 4.000 questionnaires were mailed out in December 2004, and 348 questionnaires were returned (response rate 8.7%). Returns were controlled for non-response bias by comparing the firms that responded immediately with those firms that responded at the end of the survey, suggesting that the late respondents are similar to those that did not respond at all. However, the test for non-response did not show any significant differences between early and late respondents.[3]

Measurement

Whenever possible, multi-item measures were used to minimize the measurement error. In order to reduce for the Single-Source-Bias we used different scale endpoints and formats for the predictors and the dependent variable as recommended by Podsakoff et al. (2003). Additionally, we conducted the Harman's-One-Factor-Test to test the presence of common method effect. A substantial amount of common method variance is present, either a single factor will emerge from the factor analysis, or one general factor will account for the majority

[3] For the Cranfield Project in general and the empirical methodology in particular see for example Brewster&Mayrhofer&Morley (2000) or Brewster&Mayrhofer&Morley (2004).

of the covariance among the variables (Podsakoff & Organ, 1986). The test revealed the presence of five distinct factors with eigenvalue greater than 1.0, rather than a single factor. The three factors together accounted for 58 percent of the total variance; the first (largest) factor did not account for a majority of the variance (29%). Thus, no general factor is apparent. While the result of this test does not preclude the possibility of common method variance, it does suggest that common method variance is not of great concern and thus is unlikely to confound the interpretations of results.

In prior empirical studies, human asset specificity has been measured in various ways. For example, Rangan et al. (1993) even use product complexity as a proxy of human asset specificity because more complex products imply higher level of engineering specificity. Monteverde & Teece (1982) consider specific engineering effort as part of human asset specificity. Masten et al. (1989) and Walker & Poppo (1991), in turn, use the degree to which employees' skills, know-how or experiences are specific or relative unique to a certain task.

In this study, we measured human asset specificity with three Likert-scaled items adapted from Klein et al. (1990) and Christiaanse & Venkatraman (2002) (from "strongly disagree" to "strongly agree") asking if it is hard for new employees to learn all job-specific particularities, if it is possible for them to meet the operating requirements without help of associates, and if work specific processes are quite difficult for them (Cronbach's $\alpha = .789$). Two items using the same format were also included to measure product specificity. Thus, firms were asked, whether their products require specific customization and or a special sales advisory service due to their complexity (Cronbach's $\alpha = .734$).

Empirical research focusing on TCE parametric or environmental uncertainty has been operationalized in miscellaneous ways. John & Weitz (1988) measured overall environmental uncertainty using a five-item scale whereas others used demand votality (Walker & Weber, 1984) or years to obsolescence (Harrigan, 1986). We measured environmental uncertainty using three Likert-scale items. Firms should answer to what extent they are facing a high level of uncertainty and technological change; their environment is characterized by strong technological change, and the extent of the competitiveness of the market they are operating in (Cronbach's $\alpha = .567$). Behavioral uncertainty encapsulates the degree of predictability of a partner's behavior (Kwon & Suh 2005). Thus, we measured behavioral uncertainty by using three Likert-scaled items. Respondents were asked how difficult it is to evaluate whether (1) job candidates represent their skills positively distorted; (2) job candidates are acting self-seeking and opportunistic after employment, and (3) job candidates reduce their output after employment (Cronbach's $\alpha = .725$)

Reduced HR investments are measured with three five-point Likert-scaled items (from "considerable decrease" to "considerable increase"). Thus, firms should answer to what extent the proportion of T&D expenses as a share of the annual payroll, the number of employees involved in training activities and total number of days spend with T&D activities has changed over the last three years (Cronbach's $\alpha = .909$). Isomorphism was measured with three Likert-scale items. Firms were asked to what extent the firm adopts institutional rules in order to be accepted and get access to resources, the extent to which the firm imitates Best Practices and whether the firm complies with specifications of industrial unions or professional associations (Cronbach's $\alpha = .493$). Different types of numerical flexibility were examined, namely part-time contracts, short-term contracts, job sharing, use of temps, and increased outsourcing. Following Valverde et al. (2000) almost every form of numerical flexibility was measured in terms of the proportion of the workforce employed on such contracts. Merely outsourcing was measured with six Likert-scale items ranging from "increased" to "decrease" (reverse coded) by asking firms to what extent business processes have been sourced out over the past three years. The peripheral workforce was measured using a semantic differential.

Organizational size, measured by number of employees (log), the age of the firm and whether the firm is state-owned or privately-owned were used as controls. Table 1 gives an overview of the chosen measurements.

Table 2 shows the means, standard deviations and bivariate correlations between the independent, dependent and control variables. Looking at the bivariate correlations, all correlations stay below 0.7. Thus, no serious risk of multicollinearity between the independent, dependent and control variables can be detected (Anderson, Sweeney & Williams, 1996).

Variable	Measurement
Utilization of Interim Management	dichotomous (1 = Yes; 0 = No)
Human Asset Specificity (α = .789)	"For new employees it is hard to learn all job-specific particularities" (Likert-scale)
	"For new employees it is not possible to meet the job specific operating requirements without help of associates"
	"For new employees, work specific processes are quite complicated" (Likert-scale)
Product Specificity (α = .734)	"Your products require specific customization" (Likert-scale)
	"Your products are quite complex and require a sales advisory service" (Likert-scale)
Parametric Uncertainty (α = .567)	"Your organization is faced with a high level of uncertainty and technological change" (Likert-scale)
	"Your organization operates in a environment which is characterized by strong technological change" (Likert-scale)
	"The market you are operating in is highly competetive" (Likert-scale)
Behavioral Uncertainty (α = .725)	"It is difficult to evaluate whether job candidates represent their skills positively distorted" (Likert-scale)
	"It is difficult to evaluate whether job candidates acting self-seeking and opportunistic after employment" (Likert-
	"It is difficult to evaluate whether job candidates reduce their output after employment" (Likert -scale)
HR Investments (α = .909)	"How did the proportion of T&D expenses as a share of the annual payroll change over the last three years" (Likert-
	"How did the total number of days spent with T&D activities has changed over the last three years" (Likert-scale)
Peripheral Workforce	"Your organization has a rather small/large peripheral workforce" (Semantic differential)
Isomorphism (α = .493)	"Your organization adapts institutional rules in order to be accepted and get access to resources" (Likert-scale)
	"Your organization imitates Best Practices" (Likert-scale)
	"Your organization complies with specifications of industrial unions or professional associations" (Likert-scale)
Numerical Flexiblitiy	"Please indicate the approximate proportion of those employed by your organisation: (Metric)
	Part-Time Contracts, Short-Term Contracts, Job Sharing, and Temporary contracts"
Increased Outsourcing (α = .760)	"How did the usage of external providers (outsourcing) change over the last three years on follwing areas:
	Payroll Accounting, Corporate Pension Plan, Auxiliary Service, Training & Development, Outplacement and
Company size (log)	Number of employees (logarithm)
Firm Age	Age of the firm in years
Sector	"Is your Organization Public Sector, Mixed or Privat Sector"

Tab. 1: Measurement of the Dependent and Independent Variables

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Interim Management	.22	.41															
2	Human Asset Specificity	2.36	.58	-.105														
3	Product Specificity	3.02	.67	.005	.045													
4	Parametric Uncertainty	2.78	.61	.099	.076	.402**												
5	Behavioral Uncertainty	2.32	.48	.037	.131*	-.102	-.064											
6	HR Investments	3.34	1.03	-.057	.048	.022	-.070	-.091										
7	Isomorphism	2.54	.59	.111	.022	.259**	.262**	-.110	.052									
8	Peripheral Workforce	3.29	1.42	.80	-.101	.009	.107	-.056	-.003	.097								
9	Temps	1.85	.81	.140**	.053	.161**	.140*	-.132*	.140**	.046	.125*							
10	Part-Time	3	1.15	.031	-.029	-.043	-.038	.018	-.047	.045	-.095	-.244**						
11	Job Sharing	1.48	.68	-.004	-.075	.073	.048	-.050	.081	-.064	-.026	-.068	.394**					
12	Short-Term	2.46	.86	.049	.035	-.020	-.025	-.011	.030	.032	.084	-075	.168**	.064				
13	Increased Outsourcing	2.32	.77	.196**	.064	.143*	.216**	.044	.028	.110	.079	.131*	.079	.174**	.050			
14	Company Size (log)	2.13	1.28	.020	-.019	-.005	.138*	-.139*	-.130*	.117	.064	.092	.191**	.213**	.029	.203**		
15	Firm Age	78.87	83.62	.063	-.063	-.035	.017	.017	-.004	.008	-.107	-.070	.249**	.151*	-.092	-.009	.063	
16	Sector	2.64	.76	.038	.029	.210**	.288**	-.102	.074	.159**	.080	.359*	-.400**	-.108	-.176**	.095	-.077	-.180**

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Tab. 2: Means, Standard Deviations and Bivariate Correlations

Empirical Results

The Binary Logit Regression model is used when the dependent variable is not continuous but instead has only two possible outcomes, 0 or 1. The dependent variable is the natural logarithm of the "Log Odds Ratio", which is the log of the odds of 1 divided by the probability of the complementary event (odds of 0). The binary logit model is commonly used when predicting an event which has two possible outcomes. The formula [exp(*b*) – 1] x 100 with *b* as standardized logit-coefficient represents the change in odds associated with a one-unit increase in the dependent variable. The empirical results are shown in Table 3.

	Binary Logit Model „Interim Management (y&n)"	Exp(*b*)
Constant&threshold	-3.526	.029
Human Asset Specificity	-.861**	.423
Product Specificity	-.493	.611
Parametric Uncertainty	.362	1.436
Behavioral Uncertainty	.670	1.954
HR Investments	-.386*	.679
Isomorphism	.796*	2.216
Peripheral Workforce	-.050	.951
Temps	.593**	1.809
Part-Time	-.128	.880
Job Sharing	-.430	.651
Short-Term	.285	1.330
Increased Outsourcing	1.023**	2.782
Company Size (log)	-.075	.928
Firm Age	-.003	.997
Sector	-.0180	.835
R^2 (Nagelkerke)	.261	
Model chi-square	32.456	
Significance	.006	
N	173	

Significance levels: ** ≤ .01; * ≤ .05

Tab. 3: Results Research Model

Hypothesis 1a is supported by the significant negative relationship between the human asset specificity and the utilization of Interim Management. A one-unit increase (on a four-point-Likert-scale) reduces the probability of Interim Management utilization by 57.7 percent. Product specificity, however, has no significant influence on the assignment of Interims. Thus, Hypothesis 1b is not supported.

The different forms of uncertainty, namely parametric (environmental) and behavioural uncertainty also have no effect on the assignment of Interims. Thus, empirical results do not support Hypotheses 1c and 1d.

Hypothesis 1e, in turn, suggests that reduced investments into human resources increases the likelihood of utilization of Interim Management. The results in Table 3 support this hypothesis, indicating that firms can actually decide between increasing the training efforts in order to build up know-how or buying-in the lacking expertise externally. A reduction of training expenditures reduces the probability of Interim Management utilization by 32.1 percent.

Further, isomorphism is positively related to the assignment of Interim Managers. This supports our Hypothesis 2 that Interim Management is an established management practice which can be imitated by others for the purpose of attaining legitimacy.

The size of the peripheral workforce has no influence on the utilization of Interim Management. Therefore, hypothesis 3a is not supported. The empirical results concerning the numerical flexibility are ambivalent. Some forms of numerical flexibility, namely Part-time and Short-term contracting as well as Job sharing are not related to the assignment of an Interim Manager either whereas the usage of temporary workers and the outsourcing of business processes have an imprinting effect on the utilization of Interims. An increase in hiring temps increases the odds of Interim Management utilization by 80.9 percent. Outsourcing even increases the odds of using Interims by over 100 percent. Due to the ambivalent findings it is not safe to say that Hypothesis 3b is supported. Rather, the different forms of numerical flexibility should be considered separately.

Looking at the control variables, company size, firm age as well as sector result in insignificant associations to Interim Management utilization.

Discussion and Implications for Future Research

The aim of the paper was to increase existing knowledge about what persuades firms to use Interim Managers and what distinguishes firms that already use Interims from those that do not.

Although the interim assignments increases steadily and empirical surveys of Interim Managers start to shed some light on that issue, empirical studies elaborating on the firm's perspective are largely missing in this field of research. Addressing this deficit, we surveyed a sample of German multinational corporations and analyzed Interim Management from different theoretical lenses. Transaction Cost Economics, New Institutionalism and the Flexible Firm Model have proven to be a worthwhile endeavor enriching the research field.

Empirical results show that TCE helps to explain whether firms prefer to externalize management tasks or train their internal managers to build up lacking competencies. In particular, temporal and non-recurrent tasks that do not require intensive firm-specific knowledge are likely to be sourced out. These tasks are most efficiently managed by spot market contracts (Interim Management) instead of permanent employment contracts. If, however, the lacking expertise requires firm-specific knowledge, firms tend to build up this lacking expertise internally.

The hypothesis in respect to New Institutionalism finds significant support, suggesting that firms that increasingly orient themselves to their environment and adopt institutional rules more likely use Interim Management, indicating that this is a legitimate practice. This may be explained by the fact that firms adopt practices of high-status organizations and that leads to the dissemination of practices throughout the industry. The results suggest that Interim Management - even at this early stage - constitutes a management practice which is imitated by other firms.

Atkinson's model of the flexible firm is quite suitable for explaining the utilization of Interim Management. Although some forms of numerical flexibility do not show significant association with Interim Management, the usage of Temps as well as increased outsourcing are positive related to utilizing Interims. These results indicate that Interim Management as a form of labor flexibility is not characteristic for the first or second peripheral workforce but rather belongs to the outermost circle. Interim Management combines several aspects of this kind of workforce. For Example, Atkinson himself claims that where jobs are not very firm-specific, because they are very specialized, firms are increasingly likely to source them out, for example through the use of self-employed jobbers (like Interim Managers). This not only permits great numerical flexibility (the firm deciding precisely how much of a particular service it may need at any time), but also encourages greater functional flexibility than direct employment (as a result of a greater commitment of the self employed to getting the job done or the specialization of sub-contractors) (Atkinson 1984: 29). Interim Management is exactly characterized by these issues. Firms can hire an Interim Manager if they temporarily need a

certain expertise and get rid of them quickly when there is no further need. In addition, Interim Managers are primarily specialized in certain subjects, i.e. some focus on restructuring whereas others concentrate on adoption of a new software etc. Due to the consensuses of Interim Management and the outermost circle of the flexible firm, we argue that the model should be adapted and integrate Interim Management as an additional part of this circle (see Fig. 3).

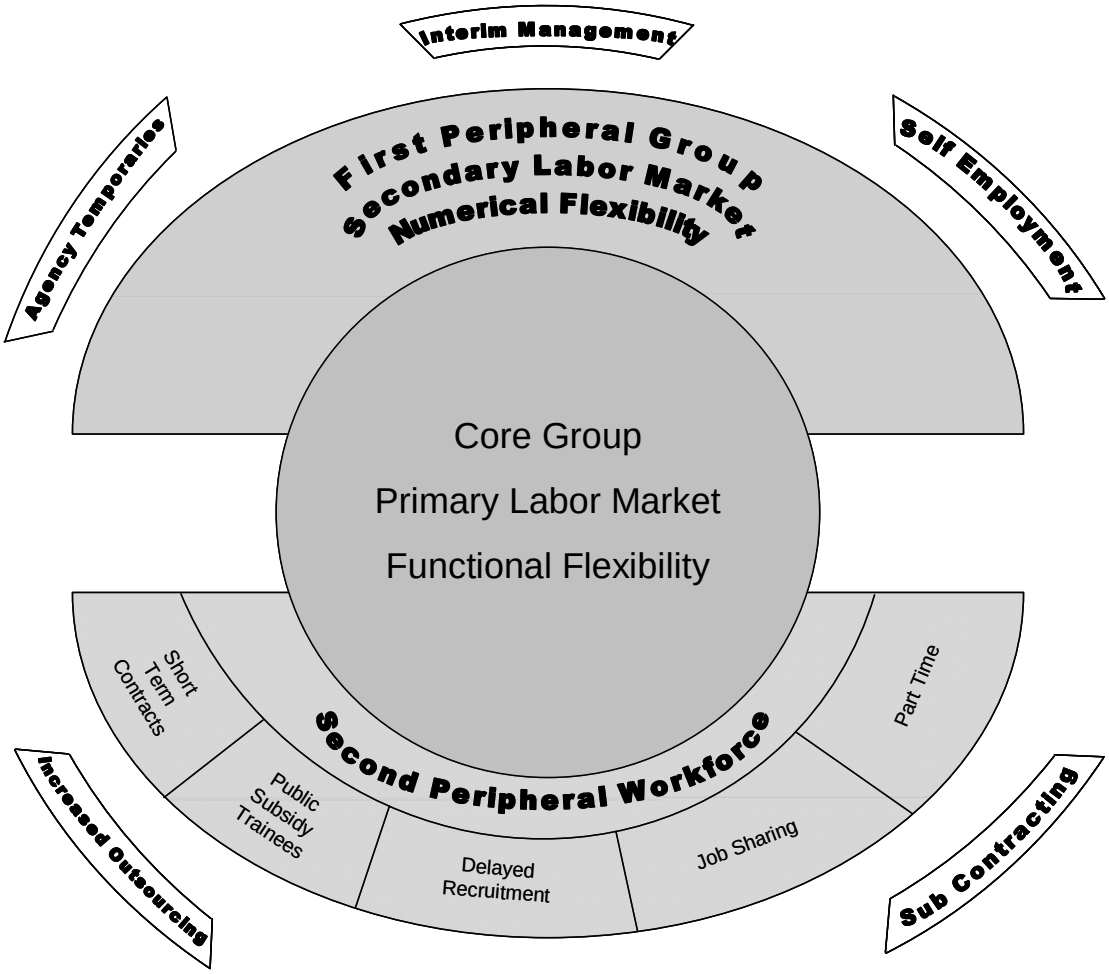

Fig. 3: Extended Flexible Firm

As it is the case for most empirical studies, limitations also apply to this study. There are some limitations that result from the use of the dataset. One clear limitation is the use of the same construct, the single-respondent questionnaire. Common method variance is "the overlap in variance between two variables attributable to the type of measurement instrument used rather than due to a relationship between the underlying constructs" (Avolio et al., 1991, p. 572). As single-source bias in simply a special case of common method variance, these two problems may limit the study in the same way. Common method variance is problematic

because correlations found between constructs may be artifacts of the method used to measure the constructs rather than evidence that the constructs are, related in any meaningful way.

Another limitation concerns the measurement of some constructs. As the dataset had a different original focus, however, these limitations regarding measurement had to be accepted. Additionally, a more in-depth study of the firms' motives needs to be addressed. The question whether and when Interim Managers become permanent internal management staff needs to be analyzed on longitudinal data in future.

In summary, it can be ascertained that Interim Management still constitutes a rather young and underdeveloped phenomenon Thus, Interim Management provides for rich ground for future research.

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