

# Why banks should finance interim management projects in SME's

a white paper of Senior Management Worldwide

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## The Italian way

The post COVID scenario in Italy is amplifying two critical aspects of the Small and Medium Enterprises:

- under-capitalization and
- under-management

Developing and strengthening managerial and leadership competencies is again the name of the game, possibly with the support by the banking system.

This theme has been the main focus of a virtual event co-created by AIDP (HR Dir association), ANDAF (CFOs association) and the Italian Chapter of IIM Institute of Interim Management, with the participation of Credit Agricole, Legacoop (the strong cooperatives league) and Federmanager (the industrial managers union).

The main themes have been developed by Maurizio Quarta, Managing Partner of Temporary Management & Capital Advisors.

## Strong managerial and leadership competences

The title of the event speaks about a triangle among Interim Management (IM) firms, banks and SME's: how to make it virtuous?

Competences have been suggested as a good barycentre, a theme recently relaunched as crucial by the expert committee called for the restart of the Italian economy 2020-22 (led by Vittorio Colao, CEO of Vodafone Group and by Confindustria, the industrial companies confederation).

Moreover, Confindustria has launched an alert about a potential post COVID default of many SME's and about a general systemic downgrading of the credit rating.

Strong management and leadership competences are needed and quickly! It goes without saying that a strong SME has undoubtedly more appeal for a foreign investor and can discuss a deal from a good negotiating point.

Temporary Management is an effective solution and therefore the discussion about the bankability of IM projects has been restarted, by this meaning the possibility for the banks to finance IM projects in SMEs, especially in a crisis period.



## Why should banks do it?

Primarily, to avoid the systemic portfolio risk and then to create an ecosystem managerially sustainable, with the plus of being 'near' companies, knowing their real situation in advance and being quick in a totally private environment. But SME's must understand that merit and ethics are the key elements to open a discussion with the banks.

This theme has been developed by Marcello Dall'Aglio, from the credit evaluation at Credit Agricole Italy. A big international bank, but well embedded in the territory through their Cariparma daughter company.

Dall'Aglio: "The credit concession process is moving towards a more objective risk evaluation, based not only on the past and present of the company, but also on the future and on the quality of the management (intended also as level of transparency and analysis of the financial communication). SME's must understand that their growing complexity cannot be compatible with a single decision maker and that the number of their stakeholders is increasing.

Assuming a greater responsibility means a higher level of disclosure in sharing, especially with the banks, their plans about the future.

This perspective sharing is an opportunity to get a feedback from a qualified third party, to grow managerially and to improve the relation with their financial partners".

## More negotiating power

All the above may easily apply in case of discussing a deal with a foreign investor: on one side, a managerially strong SME can be a more appealing target for an investor planning an operation in Italy and in Tuscany in particular on the other side, a managerially strong SME can have more negotiating power with a foreign investor.

## A growing need of managerial and leadership capabilities

The perspective from company side has been given by Michela Bolondi, Vice President Legacoop and President of Proges. For those not familiar with the Italian environment, the cooperative world is, especially in certain regions, a strong pillar of the economy.

Bolondi: "The cooperative companies indicate a growing need of managerial capabilities, to be sourced also externally, in order to better organise their processes and to increase their efficiency level.



The improvement potential of cooperative companies is really high and the IM model can be easily transferred to them, but it needs to be adapted to their specific characteristics and values: interims from a private environment are welcome, provided that they are able to propose creative approaches to the organizational and governance models of the cooperative world.”

### What should managers do then?

Andrea Molza, President of Federmanager Emilia Romagna (the union representing nationally 170.000 industrial managers) says: “The other side of the crisis is the opportunity, for the SME’s, to benefit from the experience and seniority of managers looking for new challenges. Working with a provider could help managers in softening their entry and to help establishing a good collaboration with the entrepreneur: it’s a good learning opportunity in a world where continuous learning is no more an option.”

### International cooperation

This white paper is a contribution of SMW’s partner Temporary Management & Capital Advisors (Maurizio Quarta, co-founder and former chairman of SMW) from Italy.

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