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Interim CEOs Brings Independence, and the Impetus to Drive Transformation

When a company needs to transform its business model quickly, appointing an interim Chief Executive Officer (CEO) from outside the organization can provide the fresh eye and independence needed in order to make tough decisions quickly and set the path to future growth.

Companies typically hire an interim CEO at a troubled time when poor performance, or the perception of it, has resulted in the sudden departure of the permanent CEO. A recent high-profile example is The Campbell Soup Company, which over the course of a turbulent summer lost its CEO of six years, appointed a Board member as interim leader and attracted the attention of activist hedge fund Third Point. In the short time since the appointment, the interim CEO has acknowledged the company's loss of focus and announced the sale of divisions. Third Point, however, is [seeking to replace the entire Board](#).

The decision to appoint an interim CEO rather than a permanent CEO sometimes attracts criticism: it can be interpreted as a failure of corporate governance, or the result of poor succession planning. Few senior managers are keen to step up to the top job that is likely to create friction with colleagues, or which might spell the end of their careers if the transformation does not go well.

When an organization needs to transform urgently, the right interim CEO will set a clear vision of what needs to change and provide the impetus to make it happen.

“The interim CEO knows his/her time is limited and that’s really powerful,” says [Tarek Hosni](#), Managing Director with Alvarez & Marsal in Paris, who has held interim and permanent CEO roles in a number of sectors including retail, transportation and packaging. “Someone coming from outside is independent, so it’s easier for them to have a candid view of the situation. Their independence is key – they’re not worrying about their career.”

According to Hosni, the ideal candidate is a person who has run a company before and has experience with successful turnarounds that has resulted in a good reputation and credibility with a range of stakeholders, from creditors to labor unions. They must also have the right leadership qualities to take employees, clients and investors with them as they carry out the transformation. In his experience, a fast, smooth transformation under an interim CEO has four stages:

1) A vision for the future

Since people inside and outside the company want to be convinced by the interim CEO’s plan, it’s important to ask: What is the goal of the transformation? What will the company look like once the necessary changes are made? Headcount reduction will almost certainly be part of the changes, so the remaining employees require close attention.

“Often companies take good care of the people who lose their jobs, but you have to take care of the people who stay too, because they will take the company into the future,” says Hosni.

2) Regular communication

“The biggest risk is when people don’t know what’s happening or why,” says Hosni. Information about what is changing, what is working well and what is not, has to be communicated very regularly to staff at every level.



3) Two teams running as one

During an intensive transformation, the permanent staff carry on running the business day-to-day, supported by a team of external specialists. These specialists either reinforce internal managers or provide the additional horsepower to make the required changes in areas such as finance, operations, sales and supply chain. The interim CEO's role is to oversee both teams and ensure they are working together as one.

4) Incentivize and empower

An interim CEO should spend 30 percent of his/her time talking to people around the company in person. They must be highly visible to build credibility and provide reassurance. Empowering employees is "one of the key levers of a turnaround," says Hosni, whether that is supporting a couple of managers' personal projects or promoting good people from within. Monetary and non-monetary incentives for executives are another important ingredient.

An interim CEO is almost inevitably working to transform a difficult situation and must be able to build support for their vision and thrive on tackling the most difficult problems. A short tenure and an outsider's perspective can improve the chances of success.

According to Hosni, "At the end of the day, this is about leadership: you need to show commitment and you have to make breakthrough decisions. All the stakeholders have to see you as the person who is making the company better for the future."

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