

Interim CEO – Could Be the Board’s Blessing

By Mike Lorelli – CEO, Director and Interim CEO

Maybe in a huff, the Board “Had enough” and decided to take the CEO’s head off. Or maybe, the CEO had enough and leaped at another opportunity. And, then there are unforeseen health situations, life being what it is. In some situations, there may be an unsettled company issue which needs to be worked through and it is not the ideal time to recruit your A Player. And the Board wants to take the appropriate time to pause and get the house in order. Lastly, there are circumstances where there is an immediate need for a particular skill set, but not a permanent need.

So let’s assume we “got here” by whatever reason and now the Board has to be the rudder and calm the waters. Few times, where the Board has worked on this in advance, there may be an Independent Director who can step forward and keep the ship afloat. But not typically. An increasingly familiar alternative is to bring in an Interim CEO. It has its advantages and disadvantages. The good news is that there is a robust inventory of executives who take on these Interim CEO lives.

The right Interim CEO has a unique biology and can fly in Sunday night and show up at 7:30 AM Monday. The Board sends out the appropriate email message to the organization. The right Interim CEO will demonstrate work ethic by being the first person in the office (everyday). And she/he holds a Staff meeting at 8:00 AM on Day 1 and sets the agenda for the day / week / month. And holds a Town Hall meeting at Noon and hopefully communicates that she/he is there to help and needs no honeymoon period. Let’s all get to work.

So, for the Board, there is no permanent commitment. But what about the view from the Interim CEO? The Interim, can tackle some tough issues that have been the gorilla in the room. In one Interim CEO engagement, I found that I had a Chief-of-Staff at a cost of over \$200K. This was not the White House. When I queried the VPs confidentially, the general response was “*We all were wondering how long this would take you.*” Your Interim CEO can be a disrupter, in the positive sense of the term, and clean up these messes. Don’t be spooked in the reference process if you hear “*there was some collateral damage.*” That may be exactly what the doctor ordered. Certainly, do reference checks but don’t expect God to be available.

Be prepared to pay top dollar. When you go for Lasik surgery, I don’t think you’ll rush to the surgeon who advertised \$499 per eyeball. Same for Interim CEOs. Keep the compensation package simple and consider a flat monthly, all-in, retainer. Rather than the typical salary + bonus + equity. Your Cap Table is probably already tapped out. So think in terms of 1.5X to 2.0X (base only) what your CEO is making. The right Interim CEO is living a grueling life 24X7. You get what you pay for. I had one Board wince at my fee, remarking that it was a lot more than the present CEO was making. My polite and respectful response, was “*I guess you got what you paid for.*”

So, go for experience and an Interim CEO with a stomach for the challenge. Someone who has all the right skills, and yet has the sensitivity to respect the sacred cows.



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