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What It Takes to Be an Awesome Interim CEO

By Mike Lorelli

BEING HIRED AS AN INTERIM CEO can be breathtaking, heart-stopping, and financially and intellectually rewarding—oftentimes all at once. Interim engagements are usually not planned by the board, although any fully functioning board should be prepared at a moment's notice to name a successor either on an interim or permanent basis. Whatever the reason for a CEO's departure, boards can use the following guidelines to determine and onboard an interim leader.

GETTING TO DAY ONE

The full board or a board committee will assume the search and vetting for an interim CEO. Indeed, the pick might be a current board member. Harry Somerdyke, former chief human resources officer for mid-market RFE Investment Partners, says the company's board-recruiting model includes an assessment of whether a director candidate is capable of stepping into leadership's shoes should it be necessary. In other words, would any board member be prepared at a moment's notice to slip into a phone booth and be transformed into a superhero?

The duration of the interim CEO's engagement and compensation should be established right away. What the market will bear might supersede more traditional metrics. "How high the fire is burning" will also be a consideration.

I was once asked to interview for an interim CEO role at a large private equity firm where the incumbent was to be terminated. After an engaging three-hour discussion, the senior executive on the deal team finally popped the question: "So what is your fee, Mike?" I stared out the window for what felt like an eon and then calmly

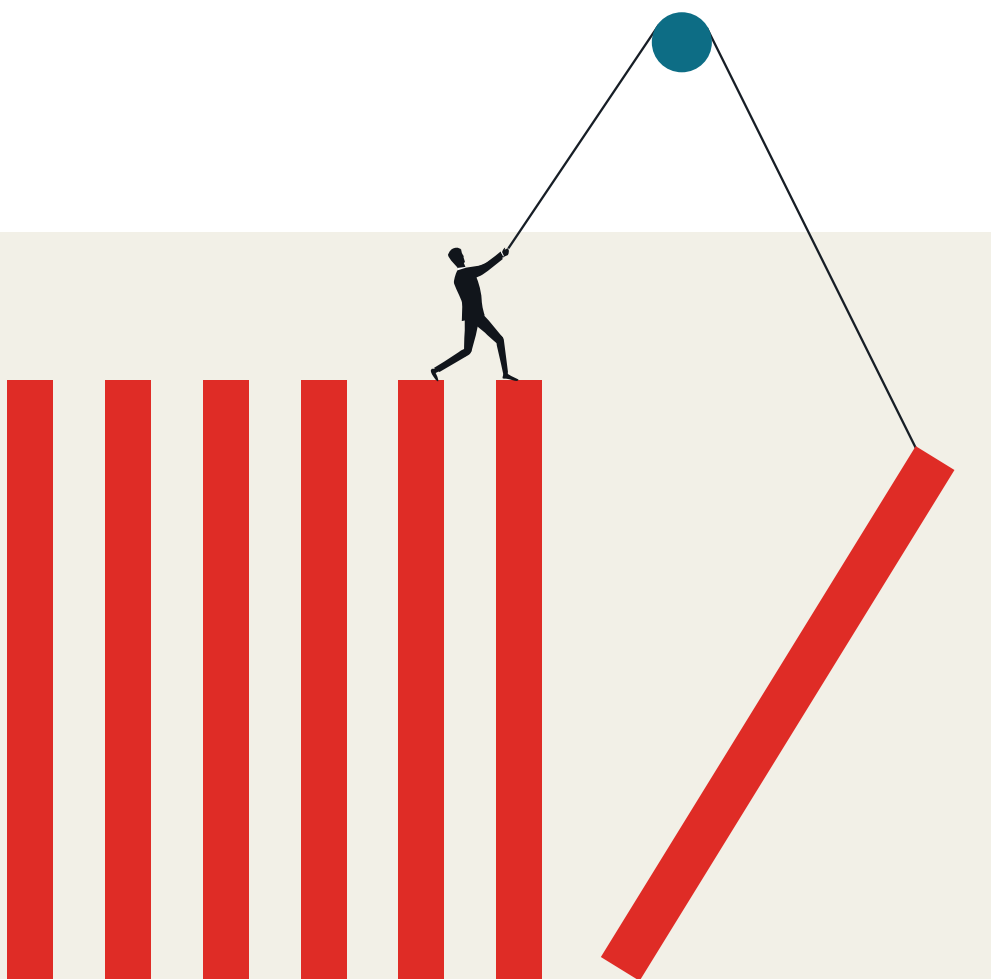
recited my monthly number. The senior person replied, "That's twice what the current CEO is making." My response? "I guess you got what you paid for." I wasn't trying to be cute. The words flowed spontaneously out of my mouth—but they worked.

GETTING READY FOR AND EXECUTING DAY ONE

Ideally, the board chair should announce the interim CEO's appointment via email to senior staff the week if not the Friday before their first day on the job. Make sure that this new hire is ready to go on Saturday, preferably on site at the company headquarters. The interim CEO should call each direct report Saturday or Sunday and task one of them with organizing the mechanics of the first (but short) senior staff meeting. Preferably, this meeting should take place on Monday morning.

The interim CEO should moderate this meeting and take notes on a whiteboard or, more likely, especially if in a hybrid work setting, on a shared document that every participant can see. The first objective here is to gain senior staff's perspectives on the company's top priorities, what to continue doing or keep, and what to stop doing or kill. For the board, this will be a peek into the alignment, or lack thereof, among the C-suite. Then determine key actions for the interim CEO during the first 90 days, including site visits to other offices, facilities, or plants. Employees will want to verify that the CEO is a genuine person and has a good grasp of the company.

At this point, the interim CEO should delegate the running of the rest of that first staff meeting and leave the room. The delegate should facilitate



the rest of the meeting, collect substantial comments, and present them without attribution to the CEO afterward. This will bring the CEO up to date and generate greater substance and clarity.

After the meeting with senior staff, announce a noontime all-hands meeting in person and electronically for those working offsite that day. The new CEO should talk for five minutes about their experience—not a second more. Employees will already have read their LinkedIn profile. Then, devote at most 20 minutes to an opening agenda and provide some context. There's no need for a lot of detail. Devote time to a question-and-answer session. One tactic to “warm up the room” is to create a list of audience-planted questions that will prompt participation. Depending on the number of employees and the organization's culture, the CEO might want to consider asking

some direct reports to prepare questions in advance. This all-hands meeting should last no more than an hour, then it's back to work.

HOW TO HANDLE THE FIRST WEEK

Day two. The new CEO should host 30-minute, one-on-one meetings with each C-suite member and their direct reports, including administrative staff, focusing on each executive's top three to five priorities. The CEO should ask what stands in their way and think about how they can help.

Day three. The CEO should plan schedules and agendas for making site visits over the next week or two, depending on the number of locations and distance between sites.

Day four and beyond. The CEO should be the first one in the office but not the last one to leave. The board should recognize these as signs of having a serious work

ethic, but not of being a workaholic. At this point, the interim CEO can hit the road, travel to offices and sites, and be sure to smile and shake a lot of hands.

QUICK WINS

Success breeds success. And at least by association, any new CEO will likely earn credit with the board for quick wins that have a material impact on the earnings before interest, taxes, depreciation, and amortization (EBITDA) run rate. Top-grading counts here even though it won't be measurable in month one. Don't underestimate the psychological impact on the organization of getting rid of employees who aren't carrying their weight, or for whatever reason, the former CEO couldn't remove. Quick wins should also signal to the board that they picked the right interim CEO.

After two weeks in one interim CEO role, I eliminated the chief of staff, top-graded two vice presidents and 26 management jobs, shrunk the overall payroll by closing 16 underperforming branches, and trimmed other areas of the budget. The result was a 54 percent improvement in the EBITDA run rate. What was expected to be a 90-day assignment as the interim CEO lasted 11 months because they simply wouldn't let go of me, and the deal team loved the results.

BE CAREFUL ABOUT PROMISES

When I was interim CEO at one company, the creative art director claimed she was promised a trip to an art fair in Italy (with a spouse) to stay abreast of art trends. I said no. It turned out that she was being “creative” with her demand. Expect that there may be people looking to take advantage of the situation and, depending on the circumstances, resistance to a new CEO is a given. It's important to listen and learn. **D**