

Workforce

MANAGEMENT
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Temps at the top

WHILE STILL CONSIDERED A NICHE INDUSTRY, **INTERIM-EXECUTIVE STAFFING** IS BECOMING INCREASINGLY COMMON FOR COMPANIES SEEKING NEW TOOLS TO SPUR CHANGE AND TO ACHIEVE RAPID RESULTS. TOP-LEVEL TEMPS CAN COST AS MUCH AS \$77,000 A MONTH, BUT EXPERTS SAY **THEY CAN SAVE MILLIONS.**

By Gretchen Weber

PHOTOGRAPH BY ROGER J. WYAN

Last fall the largest poultry producer in the western United States found itself in dire need of technical expertise. Foster Farms, a 10,000-employee, privately held company headquartered in the small agricultural town of Livingston, California, had been plagued with technical problems while attempting for four years to convert its supply chain into an integrated \$28 million SAP/ERP platform. Specialists contracted to implement the system charged the company \$800,000 a month, and as the problems mounted month after month, so did the bills. But instead of hiring a consultant or initiating a search for a technically skilled, permanent CIO, Foster Farms chose a different model. It sought an experienced corporate leader with strong technical expertise and a flair for steering troubled companies back on course, a chief willing to come in-house, but only for as long as it took to get the job done. What Foster Farms wanted was an interim executive.

In October, the company hired CIO Paul Lemerise, a seasoned executive

who had served at the corporate level for more than 20 years at companies such as True Value Hardware and The Stride Rite Corp. before becoming a partner in Tatum Partners, a group of former CFOs and CIOs who hire themselves out as interim executives. Tatum has more than 400 partners nationwide. Lemerise stepped in as full-time interim CIO of the \$1.5-billion-per-year poultry company and took charge of the technical team, reporting first to the chief financial officer and then directly to the CEO. By March, the entire supply chain had been converted without the loss of a single order. By May, he was interviewing candidates for his replacement. "The missing ingredients were leadership and direction," says Lemerise of the situation at the company before he was hired. Once he took the helm, however, and specific objectives were laid out, "it was a huge challenge and a major turnaround, but we accomplished our objectives together," he says. "It's quite a success story."

While still considered a niche industry, interimexecutive staffing is becoming increasingly common for companies seeking



Phil Nasser
Cerius Consulting

new tools to spur change and to achieve rapid results. Top-level interim executives can cost as much as \$77,000 a month, but experts say the experience and ability that companies receive for the money not only can save them millions in the long run, but also can sometimes make the difference in a company's surviving a crisis period intact. Staffing Industry Analysts Inc. reports that the interim-executive market is a \$750 million industry, with some placement firms seeing as much as a 50 percent increase in the past year. But analysts do point out that the true market size is difficult to track, given the newness

of the industry and the often informal nature of the recruiting.

Called to duty for a variety of reasons, interim execs are usually hired to fix a critical problem or facilitate a major transition. Most have résumés stuffed with decades of corporate leadership experience and have turned to interim work for both the constant challenge and the more flexible lifestyle. And while their fees may be high—Foster Farms paid Tatum Partners \$2,000 a day for Lemerise, and Korn/Ferry's executive interims charge between \$1,800 and \$3,600 per day—interims are considered low-risk because they are by definition flexible and temporary. The average assignment is 6 to 18 months, and most interim execs work only one job at a time. Because companies can select people with the exact skills they are seeking for a specific amount of time, these highly experienced professionals are often an ideal, if temporary, solution.

"More and more companies are beginning to understand what benefits these short-term assignments can bring to an organization," says Michael Turrell, a former interim CIO in charge of Korn/Ferry International's interim-executive practice. "They are the instant solution. Companies get very highly qualified and experienced individuals—many at the end of their working lives—who are happy to turn their hand to things they wouldn't do as a permanent job because in many cases, they are overly qualified."

THE GROWING DEMAND

Tighter budgets have slowed hiring over the past few years, and a large number of executives have found themselves out on the street. Once there, many have realized that pounding the pavement isn't fruitful. According to a survey by human resources consultants Drake Beam Morin, 18 percent of executives were in

LEADERSHIP STYLE OF INTERIM EXECUTIVES
Interim executives have a leadership style that is highly participative and social:
<ul style="list-style-type: none">• When relaxed, interim executives listen, are inquisitive, engaged and involve others. They seek information from others to evaluate available options.
<ul style="list-style-type: none">• Under pressure, they adopt a more direct yet social leadership style and a "trial and error" approach to alternative solutions instead of gathering large amounts of information.
<ul style="list-style-type: none">• Under all conditions, interim executives have team spirit and develop strong social relationships that allow them to "hit the ground running," fit into new situations and get results.
<small>Source: Adapted from "What makes a successful interim executive?" by Korn/Ferry International</small>

transition because of downsizing between 2001 and 2003, compared to 6.1 percent from 1997 to 2000. The survey also showed that the length of time needed to fill a new senior-level position had almost doubled in five years, escalating from seven months in 1998 to a year in 2003. From 2001 to 2003, the average length of time that top managers stayed at their jobs fell 30 percent, from 17 years to 12, the survey found, and 31 percent had been employed by their previous company for five years or less. A 2002 *Forbes* study of 800 top companies found that the average tenure for CEOs is just three years.

"As a culture, we've become increasingly impatient about getting results," says Mark Nevins, president of Nevins Consulting, an executive coaching and consulting firm in New York. In the last generation, a typical executive worked for two or three companies during his career. Now, working for six or eight companies is the norm, and there's no indication that the number will shrink. In today's corporate culture, Nevins says, short-term results are valued above all else. And companies are more likely to show their expensive executives the door if those results aren't achieved fast enough.

Advocates of the interim-executive model say it helps companies to remain agile, enabling them to expand and contract their workforce and their expenses with the ebb and flow of the market.

Phil Nasser, founder and president of Cerius Consulting, a network of interim executives based in Southern California whose clients have included Experian and Wells Fargo Bank, says that during the past four years, companies have been cautious about adding new blood to the payrolls. "It's a tenuous time," he says. "I think the down economy, along with all the outsourcing and jobs leaving the United States, has spooked executives. They are not willing to hire in the way they would have a few years ago." But trimming high-level staff down to bare bones to conserve cash often robs a company of the exact expertise and experience it needs to weather difficult times. So more and more companies—usually when they are caught in a sticky situation—are turning to interim leadership for salvation because these guns for hire can deliver experience and knowledge virtually risk free.

John Landis, Foster Farms' corporate controller, says that bringing an experienced person in-house temporarily rather than hiring a consultant was important to the company because it didn't just want a strategic plan. It needed someone to create the plan and then implement it by managing a team, holding people accountable and ensuring that specific tasks were completed on schedule. "We needed someone whose goals

THE FUN IS IN THE FIX:

"My job satisfaction comes from seeing a job get done and finished and not from running things on a day-to-day basis."

were 100 percent in line with the organization's," Landis says. "Someone who was not being paid to consult but was being paid to manage." An important component of the interim model was that Lemerise was also responsible for hiring his own replacement. After spending nine months at Foster Farms day in and day out, Lemerise had the company knowledge as well as the technical expertise and management experience to be uniquely positioned to select a permanent successor, Landis notes.

Turrell says the largest demand for interim executives at Korn/Ferry, which has a roster of close to 3,000, is for CIOs, COOs, vice presidents of human resources and, more recently, CFOs. In the wake of Sarbanes-Oxley, companies have become more vigilant about corporate responsibility, and for some, Turrell says, that means employing CFOs from outside the company. Interim executives are valuable because they are tasked with becoming a part of the corporate team and also are independent agents who come in without a personal investment in the company other than a desire to be successful.

WORTH THE COST?

Most interim executives are paid well for their services, but compensation can vary widely. Lemerise's \$2,000 daily rate at Foster Farms means an average of more than \$40,000 a month. He says that as the placement company, Tatum takes 25 percent of his earnings, leaving him with an income of \$32,250 per month plus an incentive bonus arranged with the company. Top-level interim executives from Korn/Ferry can cost a company \$3,600 a day. These interims bill client companies up to \$77,400 a month, of which 30 percent is a "markup" charged by Korn/Ferry for finding and placing the executive, Turrell says. Staffing Industry Analysts recently reported that compensation for interim executives is determined by the size and complexity of the assignment, balanced with the person's experience. The typical cost to a company is between \$150 and \$350 per hour, the report says.

Despite the high per diem rate, price is seldom a factor in a company's decision to

AN INSIDE LOOK AT OUTSIDERS

OUTSIDER STATUS ISN'T ALWAYS A BAD THING for an interim executive charged with taking the helm at a new company. Although gaining the trust of employees and mastering the corporate culture can be challenging for short-term leaders at the outset, consultants say that a new and independent perspective is often exactly what a company needs. Francie Dalton, president of the consulting firm Dalton Alliances in Columbia, Maryland, says that a temporary leader starting out with a clean slate can be more efficient than one with a history at the company as long as the person has the right skills. When a company is in crisis, as most are when they seek aid from interim execs, the person who steps in to lead should be someone from outside, rather than an in-house exec temporarily promoted to fill the slot, she says. Otherwise, jealousy and infighting can thwart any real progress toward meeting company goals. "If a company is in turmoil, it needs that outside objectivity," Dalton says. "A political agenda cannot be imputed to that person and they can be as directive as they have to be because they have a special role to perform."

Another practical reason for bringing in a person from the outside is that often the skills required for a rapid, transformational change simply don't exist within the organization. Poultry producer Foster Farms felt that it did not have the expertise to navigate a major technological overhaul. When the company hired interim executive Paul Lemerise, a veteran CIO, he brought not only fresh eyes but also the hard technical skills required to complete the task. Lemerise says his corporate and IT background helped him achieve success in the assignment, but so did his position as a change agent with temporary status. "As an outsider, I don't have any skin in the game," he says. "I have no agenda. I have an unbiased opinion and all these years of experience. I can be more effective in a shorter period."

Dalton says that a third component required for interim-executive success is a clear set of goals laid out at the beginning of the assignment. Without concrete deliverables such as increasing a company's profit margin by a specific percentage in a set period or acquiring a specific company at a set price, interim execs can find themselves spending valuable time struggling to gain support for their ideas rather than just working to implement them. Lemerise says that at Foster Farms, he had six clear objectives, which included assessing the overall IT situation, implementing SAP for the entire supply chain, stabilizing the once unreliable weighing and pricing system, making a recommendation about outsourcing departments and restructuring the IT department, which eventually involved replacing a previous CIO. Dalton says that by establishing goals "as common enemies," temporary leaders can "rally the troops around these specific objectives."

Still, experts say that even with industry expertise, fresh eyes and clear goals, the early days of an assignment can prove trying. Success is contingent on wielding authority immediately, and interim executives must be perceptive enough to sense potential interpersonal trouble spots and deal with them quickly and smoothly. "You always have to win them over," Lemerise says. "You're there as a change agent. In the beginning it can be a little awkward. Communication has to be frequent."

Kenneth Cleveland, executive managing director of Los Angeles-based interim-executive arm of consulting firm Ballenger, Cleveland & Issa, has served as an executive temp at eight midsize companies. He says getting management focused can be a challenge initially but that sooner or later, everyone reaches some form of consensus. Whenever an interim executive is brought in to make serious changes, Cleveland says, "people tend to be concerned, and that creates two kinds of people—those who welcome you with open arms because they know management isn't doing their job and they're afraid they're going to lose their jobs, and those who understand the problems and want to work with you."

—G.W.

hire a topflight temp, Turrell says. “These are serious assignments, usually of a crisis-driven nature. The costs are small compared to whatever problem he has to solve. Companies are just glad to get someone who can crack through and fix the problem.” Nevertheless, he says, interim execs can earn in six months what they would have in a year as a full-time employee in the same position. However, because the company is not paying for the interim’s benefits, vacation time, cars or any other perks, the actual cost to the company is not always as large as it might seem, he says.

Salary.com, an online service that compiles employer-supplied data on compensation, reports that the average chief information officer in Los Angeles costs an employer \$318,412 per year when salary, benefits and bonuses are factored in. This translates to \$1,350 per actual day of work, assuming three weeks’ vacation and five holidays. It does not include a signing bonus, the possibility of sick leave, or a potential severance package should the employee not work out. At Foster Farms, Lemerise was paid \$650 more than the average CIO salary each day, but Landis says the arrangement was well worth the money both in delivery and for peace of mind.

“Yes, it was a huge expense,” Landis says, “but you never know what situation you would be comparing it with. Maybe we could have found someone with his qualifications [for a permanent position], but it would have taken a lot longer. Maybe we could have brought someone on who was of lower caliber and cheaper, but then how much more delayed would we have been?”

Landis says that even if the company had attracted someone as qualified as Lemerise for a permanent position, it might have been a challenge to keep the person once the job shifted from fixing an immediate problem to maintaining a whole system. Recruitment group Spherion Corp. reports that the cost of losing and replacing a senior executive can be two to three times her salary. In contrast, Lemerise says that with an interim from

Tatum Partners, “you pay nothing to have them walk through the door, and if it doesn’t work out, it doesn’t cost you another penny.”

Despite the success stories, there can be drawbacks to the interim model. Temporary executives can be forced to spend valuable time at the outset of their appointments trying to gain trust and improve communication within and between departments. A lack of leadership continuity within the company can affect employee morale and productivity, particularly if there have been a lot of layoffs. Michael Harris, a professor of business at the University of Missouri, St. Louis, says that restructuring departments is often a central part of an interim chief’s job. “Usually, interims are brought in when a company needs to make a radical change, particularly when they’re going to be cutting a few heads off,” Harris says. “The [interim executive] is there for a short period, and he has to make some nasty decisions, but he doesn’t have to live too long with those decisions.”

This difference in tenure can drive a wedge between permanent employees and the interim executive who is spearheading the drastic changes. It can be hard to impart a long-range vision when employees know that the executive will be there for only a short time. Even Landis, who says he is a satisfied customer and would hire an interim executive in the future, notes that the model is less than ideal. What could potentially have been better, he says, would have been to get someone with Lemerise’s skills who would stay at the company permanently.

UP FOR A CHALLENGE

That could be an unlikely scenario because of the very characteristics that make interim chiefs so successful in the first place. A research report on the personality traits of top interim executives completed this year by Korn/Ferry International and Decision Dynamics, a behavioral research and management assessment firm, finds that most successful interim executives are

motivated by a desire for personal growth through learning from successive assignments, whether to broaden their expertise or to increase its depth. They are independent-minded leaders, skilled communicators and natural entrepreneurs who value applying their skills to challenging and new situations.

After 20 years as a CIO for various companies, Lemerise realized that what he enjoyed most about his career was launching new jobs. “Once everything was up and running and the problems were solved, it just didn’t thrill me in the same way, and I moved on,” he says. “My job satisfaction comes from seeing a job get done and finished and not from running things on a day-to-day basis.” Other interim execs say that in addition to the professional satisfaction derived from the work, the interim lifestyle agrees with them personally. Nasser says that as an interim employee, he has the same income as when he served as a vice president of sales at Atlanta-based Sage Software, but now he is no longer working 60 to 100 hours a week. As an interim executive, he is able to choose assignments and have more control of his time.

But in addition to the love of a challenge and the requisite expertise for the job, a successful interim executive has to have exceptional interpersonal skills. Temporary execs become chameleonlike, Turrell says. They learn to adapt quickly to new dynamics with every company and corporate culture they enter. “Interims are very sociable individuals—gregarious and very consensus-oriented—because they very quickly have to win over the hearts and minds of the people there,” Turrell notes. “But they come under pressure very quickly, so they can also switch to an autocratic style. It’s this level of social skill, as well as their managerial expertise, that makes them so effective and worth their weight in gold.”

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