

The Interim Executive:

Gaining a Competitive Business Edge
through Interim Executive Management

A Report from the Human Capital Institute

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Executive Summary

Interim leadership is the strategic use of human capital to further a company's business goals rapidly and expertly. Interim executives are often engaged to fill an unexpectedly vacant position, lead a transition in the company, guide the development of new initiatives, manage merger and acquisition or initial public offerings, or execute complex restructurings. Interim leaders, who approach a company to solve a problem rather than climb a career ladder, bring to the employing firm experience, expertise, dedication and commitment which research tells us cannot be duplicated from the use of internal staffing initiatives.

In North America, the placement and management of the contingent workforce is a huge business, time-tested and well-understood for both its economic and business value. Here, the contingent workforce is expected to grow at three to four times the rate of the traditional workforce and will make up approximately 25 percent of the entire workforce by 2012.¹ Surpassing that, however, is the growth market in the placement of high-level executives to fill specific roles, to execute on critical projects or to manage transformational change as an interim position.² And in both the UK and Europe, deployment of executives as interim employees filling critical business roles is widespread among corporations of all sizes, in part because of the onerous labor laws that affect continuation of employment.

The business edge these executives bring to a company include:

- > Experience and rapid time to value
- > Execution management
- > Sustained value
- > Risk mitigation
- > Lower cost of leadership talent

This white paper details the value proposition these interim executives bring to a business.

1. Quoted from Linda Stewart, CEO of EPOCH, in "Part-Time Workers: A New Leadership Paradigm" by Kellye Whitney in *Talent Management Perspectives*. Published January 2008

2. Executives and professionals constituted 11 percent of the entire temp workforce in 2004, according to the U.S. Bureau of Labor Statistics.

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The Value of Interim Executives

Interim executives are poised to bring objectivity, maturity, and experiential depth to the existing senior management teams they are assigned to lead.³

Addressing the Talent Gap

The scarcity of skilled talent is cited as the greatest issue for today's business leaders as they consider their staffing requirements for the next decade.⁴ But these statements are based on what is known today—not what might happen in the future. Young, small and mid-market companies, especially, often lack the experience on-staff to recognize the “stall points” that can seriously impede their business success.⁵ It is often the unforeseen that initially drives these corporations to seek the contract-based experienced professionals—“hired guns,” as they are sometimes called—that constitute the growing ranks of interim executives filling C-level and board-level positions, usually on temporary basis. Whether they are hired for two months or two years, interim executives bring a wealth of experience to the positions they now fill.

Why Interim Executives?

Perhaps the most apparent use of an interim leadership is to fill the seat of an executive who suddenly or unexpectedly leaves the company. Around 25 percent of all interim executives are hired to fill shoes suddenly left vacant.⁶ And despite the lip-service currently paid them, succession plans are lacking in the majority of businesses, especially middle-market companies. Whether the executive is suddenly dismissed, quits, or for other reasons cannot continue in the position, the effect of the loss on a business can appear catastrophic. And standard steps toward replacement are slow: When a new hiring initiative for a permanent executive is begun, it is, on average, an 18-month process to secure a new senior level manager.

In this case, an interim executive is often the best choice to ensure business continuity.

In addition, often a company needs to execute a strategy in a new area—for example, Sarbanes-Oxley compliance. The goal of creating and applying compliant business practices may be a stretch for the current financial team in addition to the existing management responsibilities they are already undertaking. Furthermore, the goal is such that once the processes and procedures are in place, they would not require a dedicated executive to manage them.

3. An Executive Recruiter's Perspective on Hiring for CRO, Pharmaceutical and Biotechnology Companies. Jeffrey Souza and Kevin Carroll. Monitor. September 2007

4. Talent Acquisition Strategies: Sourcing and Assessing the Best of the Best. Dr. Katherine Jones. Aberdeen Group. June 2006

5. When Growth Stalls. Matthew Olson, Derek van Bever and Seth Verry. Harvard Business Review. March 2008

6. Ibid.

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The skills brought to the required strategic business planning may well not be found in mid-market companies. Rarely is there a management team with experience in mergers and acquisitions, IPO planning, turnarounds, reorganizations, strengthening or re-positioning a company to sell, or risk management, or sales-related strategies such as increasing market share, advancing into new markets or geographies, or opportunity profiling.

This is a prime example of the business use of an interim executive. The experienced professional would create and execute a program and, once it was running smoothly, transition it to, for example, the internal accounting staff. Thus a project for which internal skills or expertise—or sometimes just time—is lacking can be far more expeditiously managed by an outside professional expert on an interim basis.

In addition to strategic planning, interim executives are assets often relied upon in executing specific projects. Projects—generally described as events with a beginning and an end—frequently require a particular skill set to execute correctly and often represent the first foray into interim leadership a company may make. Project creation, management and execution can be strategic or tactical, but research studies show far more favorable results when a leader without the handicap of internal politics or past relationship which may taint the project steps is brought in to manage the job. These results include faster time to market and time to production for new products, or new marketing or branding initiatives, or projects with very explicit goals, such as a need to increase profit margins or improve operational and financial efficiencies.

But why not hire a management consultant? Are they not the same thing? Management consulting firms typically have standard methodologies and long assessment periods after which expensive consultants “consult” and provide advice. They develop a plan of attack, but only half the time do they implement their own recommendations. And even more rarely do they put the training and knowledge transfer in place to ensure that the best practices initiated are maintained by the permanent employees at the company.

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Interim Executives Achieve Goals 20 Times Faster Than Permanent Senior Managers

An interim executive—who has joined a business at perhaps as little as a week's notice—will learn 90 percent of what he or she needs to know on the first day in the job. By the end of the first week, that interim executive would have learned 99 percent of what he or she needs to know.⁸

7. MORI / BIE Captains of Industry Survey 2005—Interim Executive Management ©MORI / BIE Interim Executive Ltd. 2005

8. This is one of the key findings from research carried out by management transition consultancy Corporate Insights Limited following in-depth interviews with interim managers and executives on the database of service provider Boyden Interim Management Limited. Corporate Insights received questionnaire responses from 650 interim managers and executives, and conducted extensive one-to-one interviews with 20 of them. www.Onrec.com. 02/06/2005

Therefore, the hard work of execution and potential results rests on the internal team, which may not have the skills or the time to execute the project to completion. The goals sought go unmet.

The interim executive is in a very different position. In addition to the advisory role of a consultant, interim executives fill a vital, active role: bringing extensive talent and management experience to execute projects to their successful conclusions. Because their tenure may be relatively short, interim executives are results-oriented. It is the achievement of results, not an internal career path, that motivates these professional executives. Companies that hire them select from a verifiable resume of rich experience in the same activity that they now wish to address. Interim professionals come in with an assignment—to open a new geography, lead a new product development effort, or evaluate and negotiate a new acquisition, for example—that they have successfully completed in the past, perhaps many times. They are uniquely positioned to add objectivity, detachment and depth to existing senior management teams. Their fresh perspectives can be invaluable. The value of the interim employee is generally sustained with the transfer of knowledge to the rest of the company. Research firm MORI found that companies regarded interim executives as both more suitable and cost-effective than management consultants.⁷

The Interim Solution

When a key position-holder is lost, for whatever reason, CEOs, CFOs, CIOs and director-level positions are filled temporarily by interim executives who held these positions successfully in the past. These executives may not be hired to initiate something dramatically new in the company as much as to keep that part of the company for which they are responsible on an even keel and to ensure business continuity.

These interim positions are often used as a sounding board for both the executive and the company—the executive can fill a role on an interim basis while considering whether that company would be a good fit for permanent employment, and conversely, the company has an easily managed way to evaluate whether that person would prove a long-term hire worth adding to the payroll.

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In addition to filling empty seats, times of transition and change for companies are often key motivators for introducing interim leadership. As companies move beyond the first founder, enter a growth phase, acquire new firms or are themselves acquired or facing restructuring, they turn to the experienced guidance of leaders who have faced those issues before. Executives skilled in corporate transformation, and the accompanying cultural change management that often ensues, and those skilled in talent management during times of downsizing are invaluable to companies at unsettling times.

The Interim Executive Value Proposition

Beyond looking at the reasons an interim executive is hired by a company—to fill a vacancy, lead a project, implement a new strategy or business initiative, or to undertake a corporate turnaround or exit strategy—companies must evaluate the business value derived from a senior interim employee. Often for start-ups, smaller or mid-market companies, the interim executive provides a level of expertise and experience far beyond what the company could attract or afford on a permanent basis. Other key points of value include:

- **Experience and rapid time to value.** Executives who work as interim employees have the experience to hit the ground running, because they have successfully dealt with the issues at hand before. They can start contributing and providing high-value impact immediately. As they are hired to complete a task or fulfill a specific role, they are very results-oriented, thus continuously identifying, clarifying and verifying the criteria by which the company will measure his or her performance. In addition, because of their unique role within an organization, the interim executives are goal-oriented, rather than career-oriented. Interim leaders are not distracted by internal politics, nor from their experience, bringing fresh views to issues at hand.
- Unencumbered by processes, staff issues or politics, interim executives provide an objective, fresh perspective and focus on the business strategies or processes at hand.

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The Demand and the Value of Interim Executives

“The skills shortage, the Baby Boomer retirement and a general acceptance for contingent labor is driving the demand for interim executives. Interim execs can make good business sense because you are getting the expertise you might not otherwise be able to hire—and much more quickly.”

—Greg Netland
CEO of Vedior North America⁹

- The executives who fill interim positions in companies elect this as their career: these are individuals who enjoy putting out fires, relish the challenge of change, and thrive on walking into a new situation confident of a successful outcome. Their commitment is to the task at hand; their confidence is based on “been-there; done-that” experience.
- **Execution management.** Rather than acting in an advisory or consultancy role, interim executives are responsible and accountable leaders who expect to implement and manage a business or project to its successful conclusion, and be measured on delivering results.
- **Sustainability.** While their tenure may relatively short, interim leaders have long-term impact, as they share their expertise with the internal teams with which they work and ensure that solutions are integrated into the company’s business processes.
- **Risk mitigation.** Seasoned executives constitute a risk mitigation strategy for small and mid-sized companies in that they have a public track record. Because they have confronted similar challenges previously, they can articulate the pros and cons of planned actions based on experience rather than hypothesis. Change can be an inherent risk in itself: Executives with change management experience can ease painful transitions and serve as catalysts for positive change in the organization.
- **Lower cost of leadership talent.** Expense management is aided with interim employees at all levels. Particularly in times of fiscal or economic uncertainty, the ability to readily add and subtract both staff and executive management represents a return on capital strategy that impacts the bottom line. As assignment-based employees, interim executives provide a cost-effective, short-term solution to fill business-critical gaps or drive major initiatives such as mitigating or overcoming crisis situations including financial shortfalls, takeovers, turnarounds, or family conflicts. Companies can avoid unnecessarily tying up capital in human capital: They can avoid a permanent hire they do not need for things that should run by themselves if set up correctly (GAAP compliance in accounting, e.g.) or for initiatives that have an identifiable conclusion—such as a recruiting initiative that, once complete, does not require the long-term employ of a professional recruiter.

9. Interim executives become status quo in tight market. *Boston Business Journal*, August 31, 2007

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Growing Demand for Interim Executives

“The use of interim executives is going to be a solid trend over the next several years as the market becomes tighter for specialized talent. The labor force is going to lose many executives over the next several years as the population ages. The need will be particularly acute for managers in their late 30s and early 40s. The result will likely be a lengthening of the permanent search cycle, and this should create a vacuum that the interim executive fills.”

—Randy Mehl
Robert W. Baird & Co.

In addition, companies can avoid the cost of a bad hire, hired quickly and with insufficient evaluation. Often if a new hire proves a mistake, it takes months or years to undo the damage and refill the position. Plus, hiring the wrong person is expensive. The company suffers recruitment costs (for the misfit and for a replacement), lost productivity, lost business opportunities, severance pay, unemployment compensation and maybe even legal fees.

Many experts agree that, added up, hiring the wrong person will cost a company three times the person’s annual salary.¹⁰ In addition to the monetary cost, a bad hiring decision adversely affects the morale of other employees. Hiring the wrong person, especially in a management role, can actually result in the loss of good workers.

Conclusion

Business leaders are continually challenged to deliver results, often under severe time constraints, while maintaining a vision for their company’s long-term strategy. However, when key skills are missing from the management team, due to a sudden resignation, a gap in experience as the company expands or enters a new market, explores new business models, or requires immediate expertise in a new area, the company can find itself at a competitive disadvantage or suffer serious financial setbacks.

Interim executives are generally part of a team of skilled professionals who have their own pool of talent to draw from, adding bench strength (if needed) to the hiring company. And when very specific skill sets are in demand, these executives can span their broad network to help locate people with the skills required. The executives who fill interim positions in companies elect this as their career: These are individuals who enjoy putting out fires, relish the challenge of change, and thrive on walking into a new situation, confident of a successful outcome. Their commitment is to the task at hand; their confidence is based on “been-there; done-that” experience.

Companies that leverage their ability to access leadership talent on an interim basis have a competitive edge in their time to market, their return on executive investment, and their ability to execute their business strategies.

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The Human Capital Institute

The Human Capital Institute is a global think tank, educator, and professional association defining the agenda and setting the pace for the new business science of strategic talent management. With more than 107,000 members in over 40 countries, HCI offers a new association framework that cuts across the silos of recruitment, HR/OD, finance, sales and marketing, operations, manufacturing and IT. We provide key executives, line managers and talent management professionals with the newest education, most effective tools and best practices in talent strategy, acquisition, alignment, engagement, deployment, measurement, and retention.

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