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It's not uncommon for privately held companies and those owned by private equity (PE) firms to have a need for an interim executive. (For the PE firms, some might argue that it's inevitable that such a need will develop.) Even funds that have extensive and deep resources benefit from hiring an interim CEO with deep transition leadership experience.

The following are five situations that might call for the services of a seasoned interim CEO:

1. The CEO resigns.

One of the most common reasons to bring in an interim CEO is when a CEO resigns. In this situation, it's often best to move quickly so the inevitable transition is smooth and easy. Because there is often not enough time to identify and hire a new, permanent CEO before the previous CEO leaves, hiring an interim CEO is often the best solution.

Most CEO resignations occur because the CEO may see a better opportunity elsewhere and the current company is underperforming or stagnant. So hiring an interim CEO with corporate renewal or turnaround experience is ideal. The interim CEO can implement various performance improvements before the new CEO is chosen and begins work.

2. The company needs to be sold.

An interim CEO with experience leading a company through the sale process can provide much needed leadership during this period. This can result in higher selling price and greater likelihood of a getting a deal done. Circumstances that might necessitate an interim CEO include:

- a. The current CEO resigns and the private equity firm decides to exit the investment rather than start over with a new CEO.
- b. The CEO has passed away and company's succession plan instructs the sale, or the family believes that selling the company is the best financial solution.
- c. The current CEO is not well qualified or suited to leading the company through a sales transaction.

Privately held firms should identify and retain an interim CEO who has sold a company before. This adds expertise and value to the process.

3. The CEO needs to be fired.

Often, a board has no option but to terminate a CEO. If the situation involves personal misconduct or malfeasance, the transition must occur immediately. (A fast transition could help reduce legal exposure and limit collateral damage both internally and externally.) In these cases, PE firms and other owners of privately held businesses should hire an interim executive who has experience leading companies through non-financial crises and can effectively and calmly lead the company through uncertain times.

Removing a CEO who is performing poorly must often be done prior to beginning the search for a new CEO. This sends a clear message to the organization that conditions will change and clears the way for aggressive pursuit and recruitment of a replacement. In this case, hiring a veteran

interim CEO is ideal because he or she can keep the company focused and set the stage for a successful transition to a permanent CEO.

4. An interim CEO is needed to set the stage for a permanent hire.

Every now and then, a corporation or private equity firm will acquire a company that needs substantial changes in order to positively affect its performance. If needed changes include closing plants or managing layoffs, the stigma of making those decisions could impact a permanent CEO. In these cases, an interim CEO can be brought in to handle the "dirty work", which can be a positive for all involved. The permanent CEO can then come in as a "White Knight" and have a much more positive starting point.

5. The company is facing a bankruptcy or other financial restructuring.

An interim CEO who has demonstrated expertise in leading a company through an out-of-court restructuring or a bankruptcy is a perfect fit for a middle market company that is facing major financial problems. Many middle market companies can't, or don't want to hire a chief restructuring officer, but an interim CEO with the necessary expertise to do both can provide great value for dollar.

Companies infrequently face situations that result in a void at the CEO position. But when these situations occur, finding a professional transition executive with proven expertise as an interim CEO can add real value.

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