

## **Interims and the Leadership Challenge in Turnarounds**

Core to any successful organization is quality talent. Staffing any company with high quality talent and keeping them is a daunting task in itself. Leading a company back to stabilization and then competitiveness in a distressed situation brings about a series of unique and sometimes complicated challenges.

The current management team can in many cases be the first initial problem an interim is faced with. An interim executive that comes to the realization that the current situation was not caused by market forces that could not be avoided but a series of management missteps outlines the first problem. The challenge here of course is identifying what changes need to be made at the top levels and the impact to customers, suppliers, and the overall organization. The loss of institutional knowledge and market experience is dangerous territory for any company. Equally dangerous is keeping around the wrong personalities, or players that impede critical turnaround efforts. In most cases industries are sufficiently specialized. Recruiting a new outside candidate that can bring in new skills and abilities while having some lay of the land can take months.

The second big challenge is the skilled leadership talent needed during the crisis management phase. Shoring up the cash position, customers, bankers, suppliers, employees and operating networks all while introducing sweeping organizational changes takes skilled, unique capabilities. Unbiased leadership with no political demands is needed, whose only mission is getting the organization under control. The breath and level of these capabilities are rarely found in internal teams unless they have experienced it before. If they have gone through a turnaround in the past and have steered the ship back into troubled waters that of course is very telling.

The third big leadership challenge an interim executive will be faced with is assessing the impact of decisions that will be made in the first phase with that of critical organizational needs in the ensuing phases of work. Terminating a key leader with a vital specialized skill or customer relationship will have an impact. Draining too much of the organization's institutional knowledge and skill could seriously slow or hamper the recovery efforts. Finding the right balance of must have internal talent against the most pressing and immediate short term skills are key to this phase.

The next leadership challenge will come as a result of findings and decisions made in the turnaround plan. Once the interim executive has gotten the situation under control the final task is developing a long term turnaround plan. This plan usually involves building new capabilities, systems and products to set the organization on the path of future competitiveness. Particularly challenging during this phase is that the executive talent needed from the prior phases could not be what the organization needs for the next phase. A recent survey of senior HR executives published in the July, 9<sup>th</sup> 2009 edition of the Executive Grapevine outlined the fact that over 32% believed that their organizations did not have the required management skills in place to effectively compete. When an organization is faced with significant skill gaps along with immediate business challenges the situation becomes even more acute. Working in and competing with new business models, systems, and customers without the baggage of the past will be vital to the organization in forging new capabilities.

The interim executive model is uniquely positioned to serve the needs throughout these complex phases. A seasoned interim executive that has ultimate control of the organization is the starting point. Other interim executives skilled at crisis situations can fill temporary vacancies from the severed "problem" executives and can be used to attack the most pressing issues effecting cash flow, profitability, and internal inefficiencies. Since these are highly skilled and seasoned executives the risk to the organization is significantly reduced for this period. While this is



happening, the interim executive in charge can work a small sub team of internal and interim talent to develop long range turnaround plans. Rationalizing business lines, new products, markets, internal innovation are all areas an experienced team can develop while crisis actions are in full swing. Once a finalized business direction and detailed plan has been approved the interim team gets to work on execution of the plan. A parallel path of intelligent recruitment of talent needed for the new organization can now be conducted with little risk. Since interim executives are firmly in place making substantial strides on the new business plan the permanent leadership team can be recruited and oriented for the new mission and management systems.

In short, the interim executive industry offers the business community enormous potential in reducing the business risk associated with change and recruitment mistakes of senior talent during transitional periods.

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