

CEO LEADERSHIP | PE ADVISORY

When the Chair Needs a Leader: How PE Firms Select the Right Interim CEO

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A CEO vacancy in a PE-backed company is not a pause in the investment thesis. It is a defining test of it. Every day the operating chair is empty — or occupied by the wrong person — is a day the value creation plan is not being executed. In a five-year holding period governed by a 12 percent or higher annual EBITDA growth requirement, that cost compounds fast. (Bain & Company, Global PE Report 2026)

Private equity sponsors who have navigated these situations well share a common understanding: selecting an interim CEO is not a bridge decision. It is a leadership decision. The interim CEO carries the full weight of the role — accountable to the board, responsible for the organization, and measured against the same value creation targets as any permanent leader. The only thing “interim” about the position is the time horizon.

Done well, an interim CEO appointment can stabilize an organization under pressure, accelerate a permanent search by demonstrating what kind of leader the business actually needs, and — in some cases — create the conditions for a stronger performance trajectory than the company was on before the transition. Done poorly, it costs the sponsor months of value creation they will never recover.

The Vacancy Is Rarely Planned — But the Response Must Be

CEO vacancies in PE-backed companies occur for many reasons: performance failures that could not be corrected, health or personal circumstances, cultural misalignment discovered after close, or the natural end of a founder’s runway. What they share is that they almost never arrive on schedule. The firm is rarely holding a pre-built succession plan. The board is rarely unanimous on the path forward.

This is the environment into which an interim CEO walks. The organization is watching. Key customers are listening for signals. The senior leadership team is quietly reassessing its own futures. In this context, the wrong interim choice — someone who arrives to hold the seat, not lead from it — can accelerate the very erosion the firm is trying to prevent.

The right interim CEO understands immediately that the organization's stability depends, in large part, on their behavior in the first two to four weeks. Jack Welch's first rule for effective executive leadership captures the requirement precisely: face reality as it is, not as it was or how you wish it were. (Welch, J., *Jack: Straight from the Gut*, 2001) The interim leader who arrives with clear eyes, and who communicates clearly what they see, earns the trust of the organization faster than any mandate from above can establish.

What PE Firms Need in an Interim CEO

Private equity, by structural design, places a premium on speed. McKinsey research finds that PE boards spend 21 percent more time on strategic execution than their public-company counterparts, with agendas dominated by pricing, commercial acceleration, and cost levers. (McKinsey & Company, "CEO Alpha," 2022) The implication for any leader in a PE-backed company — interim or permanent — is that the pace of good decision-making matters as much as the quality of those decisions.

Warren Bennis, whose work on leadership development shaped executive thinking across multiple decades, frames the leader's core role around articulating where the team needs to go, providing a sense of direction and purpose, setting the bar for expectations, and creating an environment of high-involvement empowerment rather than unmanaged empowerment. (Bennis, W., *On Becoming a Leader*, 1989) In an interim context, this distinction is critical. An interim CEO who empowers without providing clear direction risks releasing organizational energy in ways the company cannot afford. Direction and empowerment must travel together.

The Economist's framework for what it takes to run a company well offers a practical checklist for interim CEO selection: a sound ethical compass, the ability to make unpleasant decisions, clarity and focus, ambition, effective communication skills, the ability to judge people, and a knack for developing talent. ("How to Run a Company Well," *The Economist*) Each of these qualities is tested acutely in an interim role. The ability to make unpleasant decisions is particularly essential. Interim leaders who avoid difficult personnel and operational decisions in the name of "not wanting to tie the hands" of their successor typically create larger problems than the ones they were brought in to address.

Leadership, at its most fundamental, is about five things: creating and communicating a compelling vision; setting the goals required to achieve it; consistently reinforcing direction, purpose, and priorities; measuring performance against those goals; and helping the team achieve them. In a permanent CEO engagement, these disciplines develop over time. In an interim engagement, all five must be activated simultaneously, and quickly.

The Leadership Philosophy That Fits the Interim Role

The qualities PE firms need in an interim CEO are not fundamentally different from the qualities they need in any CEO. What changes is the urgency with which they must be demonstrated. In a permanent CEO engagement, trust is built over a quarter or two. In an interim engagement, it must be established in weeks.

The starting point is understanding people before attempting to influence them. This is not a soft principle — it is the practical prerequisite for everything that follows. An interim CEO who arrives with a pre-built change agenda and immediately begins executing it without first earning credibility with the leadership team will find that execution stalls at the very moment the sponsor needs it to accelerate.

From that foundation of earned credibility, the right interim CEO builds the team's confidence through consistent, principled behavior. This means treating every person in the organization — regardless of level — with dignity and respect, and modeling the standards you expect of others. Lead by example: never ask others to do what you are not willing to do yourself. This principle is particularly important in interim roles, where the leader does not yet have the institutional authority that a permanent CEO accrues over time. Operating credibility must substitute for institutional authority, and it is built through behavior, not mandate.

The interim CEO must also be genuinely committed to the collective intelligence of the organization. The best ideas in the business do not sit exclusively at the top of the org chart. An interim leader who listens, who creates conditions that encourage team members to speak up, and who acts on ideas that make a difference will consistently outperform one who arrives with all the answers. Have a strong sense of self and confidence, but leave your ego at the door and give credit away. This is not a posture of weakness — it is the discipline that builds the organizational alignment required for execution.

Speed Without Losing the Team: The Execution Imperative

Larry Bossidy and Ram Charan define execution as a discipline and an integral part of strategy, not a separate activity delegated downward. Execution is the major job of the business leader and must be a core element of the organization's culture. (Bossidy, L. & Charan, R., *Execution: The Discipline of Getting Things Done*, 2002) For an interim CEO, this framing is not academic. The organization is watching whether the new leader actually executes, or whether they merely manage.

Bossidy and Charan identify three building blocks of execution that apply with particular force to the interim context: having a leader who is personally, deeply engaged in the operating reality of the business; creating a culture where people are expected to face facts honestly and act on them; and a robust process of follow-through that connects commitments to outcomes. The interim CEO who models all three from day one signals clearly that the holding pattern is over.

Follow-through is the cornerstone of execution. It is the leader's willingness to ensure people are doing what they committed to — not through surveillance, but through sustained attention and accountability. The interim CEO who follows through consistently — who asks the question, checks the answer, and closes the loop — creates an organizational habit that outlasts their tenure.

Equally important is the principle that leaders should focus on a very few clear goals that everyone can grasp. Contemporary organizations need a small number of clear priorities that concentrate resources and attention. The interim CEO who tries to fix everything typically accomplishes nothing of lasting consequence. The one who picks three to four critical priorities, communicates them relentlessly, and executes them completely — even within a compressed timeline — delivers genuine value.

What Separates the Right Interim CEO from a Placeholder

The distinction between an effective interim CEO and a placeholder comes down to intention, manifested in behavior. Placeholders hold the seat and manage the organization's anxiety. Effective interim CEOs lead the company forward while managing their own timeline. The difference is visible from the first week.

Effective interim CEOs communicate relentlessly. They do not wait for the organization to seek them out. They establish a communication cadence with the senior leadership team, with the board, and with the organization as a whole. Written communications are essential but they do not replace face-to-face interaction. Nothing replaces the power of direct, personal engagement. Interim CEOs who govern primarily through email and distributed memos typically find that organizational uncertainty persists well beyond what the situation requires.

Effective interim CEOs also make decisions — including unpleasant ones. The willingness to confront what is actually true about the business, without the protection of a long-term institutional relationship to fall back on, is one of the defining qualities of the right interim leader. Jack Welch's injunction to change before you have to applies with particular force to interim CEOs: organizational problems deferred during the interim period rarely improve on their own and typically require the permanent CEO to address them under worse conditions.

Finally, effective interim CEOs protect and develop the people in the organization. They recognize that the team has been through a disruption, that uncertainty erodes performance, and that their job — in addition to delivering short-term operating results — is to leave the organization and its people in a stronger position for whoever follows them. This requires the same commitment to development and human investment that characterizes any effective leader: help people learn, give them room to grow, celebrate their accomplishments, and hold them accountable with consistency and care.

The GrowthSpaces[®] Perspective: Interim Leadership as a Test of Character

Interim CEO engagements are among the most revealing leadership situations in the PE portfolio. They expose whether a leader's capabilities are genuine or contextual — whether they perform under ideal conditions or under pressure. The private equity firm that selects an interim CEO is not simply filling a calendar gap. They are making a statement about the standard of leadership they expect from anyone who occupies that chair.

The attributes that make an interim CEO effective — earned credibility, a genuine belief in the collective intelligence of the organization, relentless communication, the willingness to face reality without flinching, and the discipline to execute against a small number of clear priorities — are not situational qualities. They are character qualities. They are present in the right leader before the interim assignment begins and visible in the organization long after it ends.

The GrowthSpaces[®] Interim Management offering is built on the conviction that effective leadership in a PE-backed company is never a performance — it is a practice. GrowthSpaces maintains a stable of senior, seasoned executives who bring the operating experience, sector depth, and personal temperament that interim assignments demand. These are not executives between roles. They are proven operators who have held the chair, navigated the hard decisions, and understand what it means to lead an organization through transition without losing the team in the process.

GrowthSpaces[®] works primarily with a select group of private equity firms whose relationships with the firm date back 15 to 20 years, and with new clients who come by direct referral from within that network. This is a deliberate choice. Interim assignments require a level of mutual trust and institutional knowledge — about the executive's style, the firm's expectations, and the portfolio company's specific situation — that is difficult to establish quickly. Subject to executive availability, GrowthSpaces[®] identifies and assigns the right leader for the company and moment in question.

GrowthSpaces[®] also partners with executive search firms that leverage the interim management offering to serve their clients during the search process. For search firms whose primary mandate is placing permanent leadership, the GrowthSpaces interim capability provides a complementary

solution: continuity and operating momentum for the portfolio company while the permanent search runs its course. This partnership model ensures the company is never without effective leadership — and that the incoming permanent CEO inherits an organization that has been led well, not merely held in place.

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The GrowthSpaces[®] consulting model is built on the conviction that effective leadership in a PE-backed company is never a performance — it is a practice. The interim CEO who leads from that conviction — who treats every person in the organization with dignity and respect, who leads by example and never asks of others what they will not do themselves, and who keeps the team focused on the work that matters most — delivers the kind of value that justifies the firm's confidence in the choice. Leaders are not anointed. They earn the position by acting like a leader, every day, in every interaction. The interim CEO role is simply where that truth is most visible.

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