Faculti Summary
https://faculti.net/interim-ceo-successions-implications-for-ceo-successor-selection-and-subsequent-firm-performance/

This video discusses a study on the increasing trend of companies appointing interim CEOs, which has grown to over 20% of annual CEO successions since 2000. Despite their popularity, academic literature indicates that interim appointments are generally detrimental to company performance, creating leadership vacuums and operational disruptions. Researchers aimed to explore potential long-term consequences of these interim appointments compared to direct CEO successions.

Key findings reveal that CEOs appointed after an interim period tend to perform worse than those appointed through direct succession, with negative impacts lasting up to three years post-succession. Various factors, including industry complexity and the managerial demands of the company, influenced the decision to use interim CEOs. The study identified some contexts where interim appointments might mitigate negative effects, particularly in volatile environments or when a strong pool of candidates is available.

The research suggests that interim CEOs can create strategic stasis—where critical decisions are delayed—due to their temporary status. This video results in poor performance outcomes, affecting not just the interim period but also the tenure of subsequent CEOs.

The authors call for boards to critically evaluate the decisions surrounding interim appointments and consider alternative strategies, as the current trend appears to have consistently negative implications for long-term performance. Future research could explore the circumstances that might justify interim appointments or identify other viable transitional strategies.