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# exexchange news

We determine the Push-out Score™

2.2018

## 37% of CEOs step down under pressure

- **Mysterious move: Domino's Pizza CEO Patrick Doyle leaves**
- **Smooth exit: Texas Instruments CEO Rich Templeton steps down**
- **Strange departure: Gentex CEO Fred Bauer retires**
- **In-depth analysis of more than 200 CEO departures in the U.S. from the past 12 months**

(exchange) -- February 1, 2018 -- Domino's Pizza, Inc., Texas Instruments, Inc. and Gentex Corp. are among the companies that announced a major leadership change in January 2018. Obviously, not all of the top managers leave the position entirely on their own initiative. Research shows that pressure on CEOs remains high.

Every management change is different. The departure of Domino's Pizza CEO Patrick Doyle seems mysterious, the retirement of Texas Instruments chief executive Rich Templeton is smooth, and the retirement of Gentex boss Fred Bauer appears strange.

A more detailed insight is provided by research firm exchange, which has analyzed more than 500 changes in top management of publicly traded companies from around the world and from the past 12 months, including more than 200 CEO departures in the U.S. (see Exhibit 1).

exchange uses a scoring system with a scale of 0 to 10 to determine the likelihood of a forced executive change. A Push-out Score of 0 indicates a completely voluntary management change, and a score of 10 indicates an overtly forced departure.

The Push-out Score incorporates facts from company announcements and other publicly available data. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2).

In the U.S., the average Push-out Score for CEO departures in January 2018 was 5.4, after 5.1 in December 2017 and 5.4 in November 2017, indicating continued high pressure on CEOs. The average Push-out Score for CEO departures in the 12-month period from February 2017 to January 2018 was 4.5.

Around 37 percent of the Push-out Scores of CEO departures in the U.S. from the past 12 months reached values between 6 and 10, which suggest strong pressure on the outgoing CEO (see Exhibit 3). Every third CEOs steps down under pressure.

A Push-out Score of 6 means that six of the following nine criteria are fulfilled: unusual age, short notice, short tenure, poor share price performance, non-transparent reason, critical time, succession issues, formal anomalies and linguistic peculiarities in the announcement. When the manager is openly pushed out (e.g., "terminated for cause"), then 10 points are given.

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With a Push-out Score of 2, the CEO change at **Domino's Pizza, Inc.** seems smooth and mysterious at the same time.

On January 9, J. Patrick Doyle announced "his intention to depart" the pizza restaurant chain after around eight years in the CEO position, effective June 30. The lead time is 172 days.

Doyle's duties will be taken over by Ritch Allison, age 50 and currently president of Domino's international business.

Doyle presided over a turnaround that rebranded Domino's from a "cardboard crust" pizza joint to a cutting-edge tech and logistics pizza company. During his tenure, the share price has increased almost twentyfold.

David Brandon, Domino's chairman of the board, lauds Doyle for his achievements: "Patrick excelled at every role he served at Domino's for more than 20 years and during the past eight, he distinguished himself as one of the best leaders in the restaurant industry." So far there are no red flags visible.

But a reason for the management change is not explicitly given. That's the first point for the Push-out Score.

At the age of 54, Doyle is definitely too young to retire, and precise information about his future plans is not immediately available. That's point number 2.

Doyle told CNBC in an interview that he always thought he would be at Domino's for 10 years.

Chris Brandon, director of investor relations of Domino's Pizza, Inc., said in an emailed response to an exchange inquiry: "Patrick accomplished what he wanted to at Domino's and is ready to move on to something else, after taking some time off."

With a Push-out Score of 0, the CEO change at Dallas-based **Texas Instruments, Inc.** seems smooth.

As announced on January 18, Richard K. (Rich) Templeton, age 59, leaves his post as CEO at the semiconductor company after about 14 years in the position, effective June 1, 2018. The lead time is 134 days.

He will hand over the baton to Brian Crutcher, currently chief operating officer at Texas Instruments. Templeton will remain the company's chairman.

Regarding his departure from the CEO post, Texas Instruments said: "The transition is a well-planned succession that follows Crutcher's promotion to senior vice president in 2010, executive vice president in 2014, chief operating officer in 2017 and election to the board of directors last July."

The share is now trading at a record high and profits are booming.

The icing on the cake with Templeton's departure from the CEO post is the form and language of the announcement. The outgoing CEO does not praise himself, but his successor, whom he attests to be "an exceptional leader who inspires others and delivers great results."

In the announcement from Texas Instruments, Rich Templeton receives accolades and praise.

Wayne Sanders, lead director of the TI board and chairman of the governance and stockholder relations committee, said: "TI is in excellent shape, operationally, financially and strategically, thanks to Rich's leadership over the last 14 years. He has been a transformative CEO, one of industry's finest. TI's operating profit margin has doubled, the stock price has more than quadrupled and free cash flow per share has grown by a factor of 6. Additionally, Rich built and developed an excellent and deep bench of leaders, who continue to work closely with Brian. There could not be a better time for an effective transition."

The only noticeable weak point with Templeton's move is that on January 23, TI posted the slowest revenue growth in four quarters and failed to exceed Wall Street expectations for the first time in at least two years.

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With a Push-out Score of 5, the CEO change at **Gentex Corp.** is in the middle range of the scale and seems strange.

As announced on January 5 of this year, Fred T. Bauer retired as CEO and chairman at the maker of automatic-dimming rearview mirrors, effective December 31, 2017. Bauer's duties were taken over by Steve Downing, age 39 and most recently chief operating officer of Gentex.

Among the red flags are Bauer's abrupt departure (5 days *before* the announcement date) and the fact that a reason for his sudden move is not explicitly given, opening the door for speculation. That makes the first two points on the scale.

Bauer is the founder of Gentex and has been its CEO since May 1986. He has overseen Gentex's increase in market capitalization from \$17 million at its initial public offering in 1981 to approximately \$6 billion today.

Bauer's achievements are undisputed, but at the age of 74 his retirement seems overdue. That's point number 3. The form and language of the announcement provide further warning signals and two additional points.

In the announcement from Gentex, Bauer receives accolades, praise and thanks. But the statements and information from the company seem to be inconsistent.

Bauer also resigned as a member of the board, effective as of December 31, 2017, and Gentex insists that Bauer resigned as a board member "as part of his retirement and not as a result of any disagreement with the company." The board has "unanimously" appointed James Wallace, the current lead independent director, as the chairman of the board.

Wallace says that "we all respect Fred's decision to retire from the CEO and chairman roles", while the Company says that "Gentex is sorry to see Mr. Bauer retire."

It is remarkable that Bauer will remain an employee of the company for five years and Gentex will pay him \$596,000 in 2018, \$447,000 in 2019 and 2020, and \$298,000 in 2021 and 2022. Gentex will also make a "retirement payment" to Bauer of \$2,100,000 and will acquire between 5,499,782 and 6,445,928 shares of the company's common stock held by him and will acquire a building owned by Bauer for \$950,000.

Meanwhile, Bauer's successor Steve Downing "does not currently have a written employment agreement", and Gentex "continues to negotiate the terms of Mr. Downing's employment."

In the announcement from Gentex, Fred Bauer does not get a chance to speak.

In the U.S., the average tenure of departing CEOs in the 12-month period from February 2017 to January 2018 was 9.3 years (see Exhibit 4). The average CEO retirement age in the U.S. was 62 (see Exhibit 5).

These results were calculated from 249 individual CEO departures of companies listed in the Russell 3000 index, which provide a homogenous and wide data pool for the analysis of CEO departures. The Russell 3000 seeks to be a benchmark of the entire U.S. stock market and encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

In the past 12 months, the Healthcare sector showed the highest average Push-out Scores in the U.S. with 5.4. The lowest Push-out Scores were determined in the Industrial Goods sector with 1.8 and the Financial sector with 3.0.

In the Basic Materials sector, the average Push-out Score was 4.5, in the Consumer Goods sector it was 4.7, in the Services sector it was 4.9, and in the Technology sector it was 5.2.

### **About exexchange**

exexchange is an independent research provider widely recognized as an important voice on executive changes. exexchange determines the Push-out Score and was featured by *The Wall Street Journal*, *Harvard Business Review* and *Stanford University*. For more information, visit [exexchange.com](http://exexchange.com).

Exhibit 1

<b>Selected CEO departures, February 2017 to January 2018</b>				
<b>Announced</b>	<b>Company</b>	<b>Name</b>	<b>Push-out Score</b>	<b>Sector</b>
29-Jan-18	Revlon, Inc.	Fabian Garcia	9	Consumer Goods
18-Jan-18	Texas Instruments Incorporated	Rich Templeton	0	Technology
9-Jan-18	Domino's Pizza, Inc.	Patrick Doyle	2	Services
9-Jan-18	Parsley Energy, Inc.	Bryan Sheffield	4	Basic Materials
4-Jan-18	Xilinx, Inc.	Moshe Gavrielov	4	Technology
5-Dec-17	Dish Network Corp.	Charlie Ergen	5	Services
29-Nov-17	Chipotle Mexican Grill, Inc.	Steve Ells	7	Services
21-Nov-17	Hewlett Packard Enterprise Company	Meg Whitman	5	Technology
16-Nov-17	Lear Corporation	Matt Simoncini	1	Consumer Goods
7-Nov-17	State Street Corporation	Jay Hooley	3	Financial
6-Nov-17	Cardinal Health, Inc.	George Barrett	6	Services
6-Nov-17	Anthem, Inc.	Joe Swedish	6	Healthcare
18-Oct-17	American Express Company	Ken Chenault	0	Financial
17-Oct-17	Northern Trust Corporation	Rick Waddell	0	Financial
2-Oct-17	Dentsply Sirona Inc.	Jeff Slovin	10	Healthcare
28-Sep-17	Chevron Corporation	John Watson	3	Basic Materials
28-Sep-17	Kellogg Company	John Bryant	8	Consumer Goods
26-Sep-17	Equifax Inc.	Rick Smith	8	Financial
18-Sep-17	Dollar Tree, Inc.	Bob Sasser	1	Services
30-Aug-17	Expedia, Inc.	Dara Khosrowshahi	0	Services
16-Aug-17	UnitedHealth Group Incorporated	Steve Hemsley	0	Healthcare
17-Jul-17	The Bank of New York Mellon Corp.	Gerald Hassell	2	Financial
10-Jul-17	Citrix Systems, Inc.	Kirill Tatarinov	9	Technology
12-Jun-17	General Electric Company	Jeff Immelt	4	Industrial Goods
5-Jun-17	Perrigo Company plc	John Hendrickson	7	Healthcare
22-May-17	Ford Motor Company	Mark Fields	9	Consumer Goods
17-May-17	Halliburton Company	Dave Lesar	3	Basic Materials
3-May-17	General Mills, Inc.	Ken Powell	5	Consumer Goods
9-Mar-17	American International Group	Peter Hancock	10	Financial
6-Feb-17	Tiffany & Co.	Frederic Cumenal	10	Services
Source: exexchange				

Exhibit 2

**Push-out Score: Examples of factors considered**

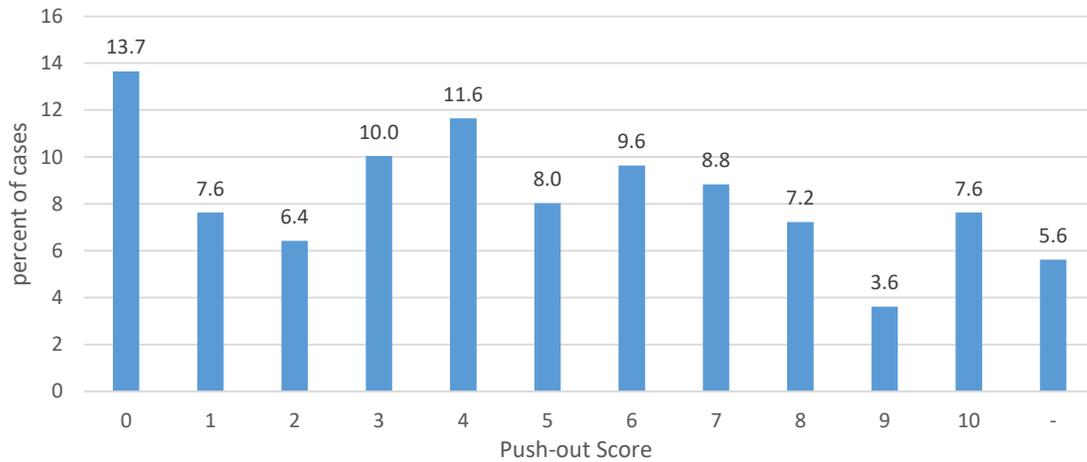
<b>Dimension</b>	<b>Selected factors</b>
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations (e.g., poisoned praise, hidden criticism) Clarity of language
Age	Age of departing executive relative to typical retirement age
Notice period	Length of time between announcement and last day
Tenure	Length of time with company (reasonable or excessively short)
Share price	Recent share price performance Significant positive or negative relative performance
Official reason	Official reason given (yes or no) Clarity of official reason (ambiguous or understandable) Stated post-employment activity
Circumstances	Industry performance Peer group performance Governance factors (controversy, restatements, lawsuits) Severance payments made (yes or no)
Succession	Signs of continuity Successor identified (yes or no) Internal vs. external successor Interim or permanent replacement Successor added to corporate website (yes or no)

Source: exchange

Exhibit 3

**Chart 1: Many CEOs leave the position under pressure**

Percentage distribution of Push-out Scores in the 12-month period from February 2017 to January 2018 in the U.S. stock index Russell 3000



Legend: Around 14 percent of the departing CEOs received a Push-out Score of 0. A Push-out Score of 0 indicates a completely voluntary change, and a value of 10 indicates an overtly forced departure. Cases in which a Push-out Score is not determined (e.g., death or health reasons) are summarized under "-". Sample includes 249 observations. Source: exexchange

Exhibit 4

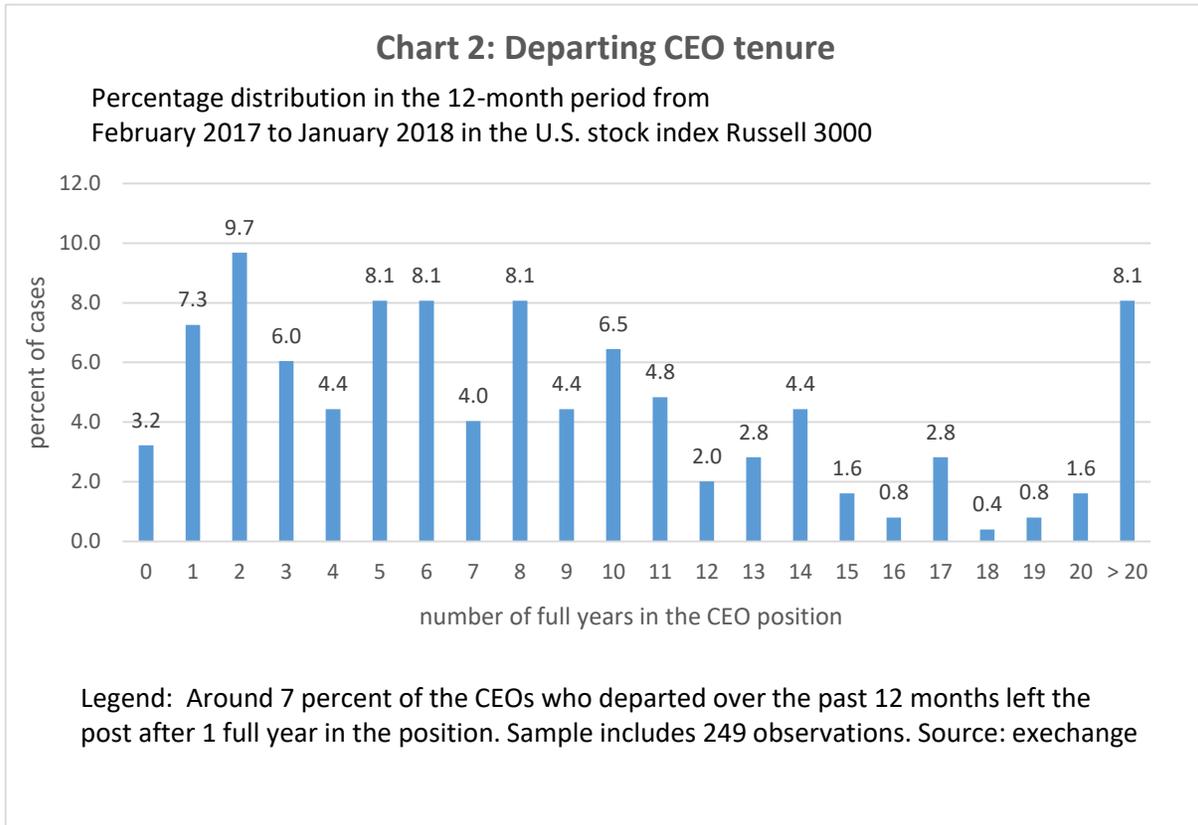
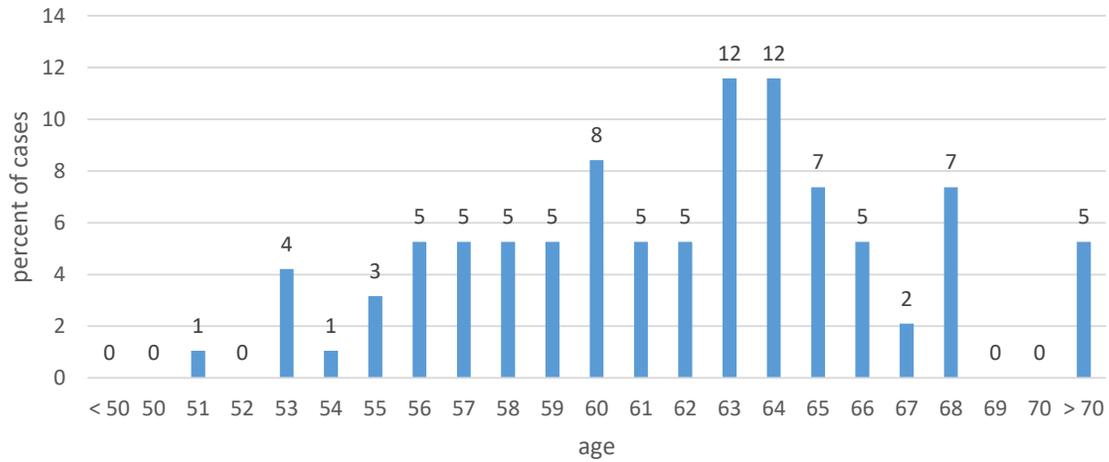


Exhibit 5

**Chart 3: CEO retirement age**

Percentage distribution in the 12-month period from February 2017 to January 2018 in the U.S. stock index Russell 3000



Legend: Around 12 percent of the CEOs who announced their retirement over the past 12 months were 64 years old. Sample of CEOs who announced that they "retired" includes 95 observations. Sample of all departing CEOs includes 249 observations (38 percent "retired", and 62 percent announced other types of departure, e.g., "resigned", "stepped down", were "removed" or "terminated"). Source: exchange

## **Push-out Score™: The number you need to know**

*Forced or voluntary departure?* The Push-out Score is the number you need to know.

# Push-out Score™

How likely is it the manager was pushed out or felt pressure to leave the post?



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### **How the scoring works**

The Push-out Score is a measure of the pressure on the departing executive.

exexchange's Push-out Scoring System™ is based on the assumption that management changes are triggered by pull-out forces and push-out forces.

The higher the score, the more likely the manager was pushed out or felt pressure to leave the position.

When the manager is openly pushed out (e.g., "terminated for cause") or when there is absolutely no doubt that the manager left the position due to pressure, then 10 points are given.

If the manager was not openly pushed out and the reason for the departure is not health-related, one point is given for each of the following parameters (proxy variables) when certain criteria are fulfilled.

1. Form of the announcement
2. Language in the announcement
3. Age
4. Notice period
5. Tenure
6. Share price development
7. Official reason given
8. Circumstances of the management change
9. Succession

A Push-out Score of **0 to 1** suggests no significant signs for push-out forces.

A Push-out Score of **2 to 5** suggests significant signs for push-out forces.

A Push-out Score of **6 to 9** suggests strong signs for push-out forces.

Who comes. Who leaves.  
Who wants to go. Who has to go.  
Who is praised. Who is blamed.  
Who wins. Who loses.  
Who's in. Who's out.  
Who is good. Who is well.  
Who recovers. Who is bad.  
Who advises. Who is well advised.  
Who steps back. Who kicks back.  
Who is appointed. Who is disappointed.  
Who signs. Who resigns.  
Who separates amicably. Who separates mutually.  
Who escapes. Who is a scapegoat.  
Who fits. Who quits.  
Who's old. Who's obsolete.  
Who's number 1. Who's number 2.  
Who goes ahead. Who goes behind.  
Who is there. Who is gone.  
Who is right. Who is left.  
Who fights for honor. Who fights for money.  
Who is selected. Who is sorted out.  
Who is honored. Who is humbled.  
Who benefits. Who suffers.  
Who goes through hell. Who keeps going.  
Who gets a golden hello. Who gets a golden handshake.  
Who bows. Who bows out.  
Who is host. Who is hostile.  
Who is goodman. Who is badman.  
Who is a friend. Who is an enemy.  
Who is hired. Who is fired.  
Who steps up. Who steps down.  
Who chairs. Who presides.  
Who is over. Who is under.  
Who gives in. Who gives up.  
Who says thanks. Who says No thanks.  
Who wishes all the best. Who wishes the best of luck.  
Who prompts. Who repeats.  
Who leaves early. Who leaves late.  
Who designs. Who resigns.  
Who excites. Who exits.  
Who is first. Who is last.  
Who throws his hat. Who throws in the towel.  
Who ranks first. Who is the first available.  
Who is successful. Who is successor.  
Who congratulates. Who wishes luck.  
Who packs in. Who packs out.  
Who reigns. Who serves.  
Who retires from office. Who retires from the world.  
Who is in seventh heaven. Who is on cloud nine.

Who speaks. Who is silent.  
Who sits. Who lies.  
Who heals. Who hurts.  
Who sees green. Who sees red.  
Who soothes. Who scolds.  
Who is sorry. Who is sad.  
Who is thrilled. Who mourns.  
Who is up. Who is down.  
Who helps. Who betrays.  
Who is not named. Who is shamed.  
Who is missed. Who is dismissed.  
Who commands. Who obeys.  
Who is a leader. Who is a follower.  
Who accepts. Who regrets.  
Who is at C-level. Who is at eye level.  
Who feels pity. Who feels schadenfreude.  
Who shows grace. Who falls from grace.  
Who tells the story. Whose fate is unknown.  
Who is hero. Who is zero.  
Who is welcomed. Who is ousted.  
Who is severe. Who gets severance.  
Who quits at the right time. Who says the time is right.  
Who decides. Who departs.  
Who is groomed. Who is doomed.  
Who is major. Who is minor.  
Who assists. Who stands by.  
Who is refunded. Who is replaced.  
Who contributes. Who distributes.  
Who is family. Who is familiar.  
Who is confident. Who is confidant.  
Who has tailwind. Who has headwind.  
Who makes a big deal. Who makes a big fuss.  
Who is in quest. Who is at rest.  
Who does well. Who means well.  
Who will be back. Who leaves for good.  
Who stumbles. Who crumbles.  
Who topples. Who tumbles.  
Who is victor. Who is victim.  
Who pays. Who pays back.  
Who earns it. Who deserves it.  
Who is vested. Who is invested.  
Who gives the last shirt. Who gives the last penny.  
Who is personal. Who takes it personally.  
Who is a big wheel. Who is a bigwig.  
Who is chief. Who is big kahuna.  
Who is a personality. Who is a person.  
Who is Who. Who says what.  
Who has a vote. Who has a say.  
Who has the last word. Who can say it?

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