

# exexchange news

We determine the Push-out Score™

5.2018

## Pressure on CEOs stays high for sixth month in a row

- **CEO Push-out Index reached 6.1 in April compared with 5.8 in March**
- **Pressure due to changing consumer behavior**
- **Bittersweet departure: Lennar CEO Stuart Miller leaves post**
- **Glorious move: Commerce Bancshares CEO David Kemper resigns**
- **Frosty exit: Mattel CEO Margo Georgiadis leaves for Ancestry**
- **In-depth analysis of more than 200 CEO departures in the U.S.**

(exexchange) -- May 1, 2018 -- Lennar Corp., Commerce Bancshares Inc. and Mattel Inc. are among the U.S. companies that announced a major leadership change in April 2018. Obviously, not all of the top managers leave the position entirely on their own initiative. Research shows that pressure on CEOs remains high. Companies that have come under pressure due to changing consumer behavior are looking for CEOs with different skill sets.

Every management change is different. The departure of Lennar CEO Stuart Miller is bittersweet, the move of Commerce Bancshares CEO David Kemper seems glorious, and the exit of Mattel CEO Margo Georgiadis is frosty.

A more detailed insight is provided by research firm exexchange, 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).

exexchange uses a scoring system with a scale of 0 to 10 to measure the pressure on the departing executive and 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. Push-out Scores above 5 suggest strong pressure.

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 April 2018, the pressure on CEOs remained high. The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., reached 6.1 in April compared with 5.8 in March (see Exhibit 3). For the sixth month in a row it was above the critical value of 5.

The average Push-out Score for CEO departures in the 12-month period from May 2017 to April 2018 was 5.0.

Around 44 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 leader (see Exhibit 4). Four in ten CEOs stepped down under pressure.

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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.

With a Push-out Score of 5, the CEO change at **Lennar Corp.** seems bittersweet.

As announced on April 12, Stuart A. Miller, age 60, leaves his post as chief executive officer at the largest home builder in the U.S. after 21 years in the position.

In the announcement from Miami, Florida-based Lennar, Stuart Miller receives praise.

Stuart Miller's duties will be taken over by Richard (Rick) Beckwitt, age 59 and most recently president of Lennar.

Miller, son of Lennar co-founder Leonard Miller, will continue his leadership role with Lennar as the newly appointed executive chairman. The compensation arrangement of Miller did not change as a result of his new position.

So far there are no big red flags visible.

Miller leaves his post effective immediately. That's the first point for the Push-out Score.

The change follows a decline in the share price of Lennar since January 2018. The stock has tumbled 16% over the previous three months, while the S&P 500 has dropped 5.2%. That's the second point.

In the announcement, Lennar did not explicitly explain the reason for Miller's sudden move, opening the door for speculation. That's point number 3.

Miller steps aside at a critical time for Lennar. Point number 4.

Like most homebuilders, Lennar has the challenge of appealing to millennials, who are more likely to rent than own.

Furthermore, Lennar is working to incorporate the operations of newly acquired CalAtlantic Homes and ramp up production to meet demand for housing.

Lennar has hired investment banks to help it explore "strategic alternatives" for its Rialto Capital Management subsidiary, which handles commercial real estate assets.

Miller's move is part of a management shake-up. Lennar chief operating officer Jon Jaffe will expand his role and assume the duty of Lennar president. Other changes include the appointment of Lennar treasurer Diane Bessette as chief financial officer. She replaces Bruce Gross, who is leaving to become CEO of Lennar Financial Services.

The language in the announcement provides point number 5.

Lennar said that the management changes "recognize the hard work, effective leadership, collaboration and significant contribution that each of these executives have brought to Lennar over many years."

Beckwitt is one year younger than Miller. Did the CEO's quality fall below that expected of a replacement? Lennar leaves room for speculation.

With a Push-out Score of 0, the CEO change at **Commerce Bancshares Inc.** seems glorious. It follows the pattern typical of well-prepared management changes: Form, language, age, notice period, tenure, share price development, official reason given, circumstances and the succession plan are consistent, reasonable and free of red flags.

On April 2, David W. Kemper, age 67, announced "his intention to resign" his position as chief executive officer at the regional bank holding company after around 30 years in the position, effective August 1.

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Among the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization, only 3 percent of the CEOs who departed over the past 12 months left the position after more than 30 years, according to data compiled by exexchange.

The lead time is 121 days.

Commerce Bancshares is keeping its leadership in the family. David Kemper will hand over the baton to his son John W. Kemper, age 40 and currently chief operating officer of Commerce Bancshares. It is a generational change in the truest sense of the word. John Kemper is about 27 years younger than David Kemper.

David Kemper will remain active as executive chairman.

His departure from the CEO post is explained as follows. Andy Taylor, Commerce Bancshares lead director, said: "This announcement reflects the culmination of a thoughtful and deliberate multi-year succession plan. ... This plan will ensure continuity and create the foundation for continued growth and long-term shareholder returns."

Thoughtful and deliberate multi-year succession plan? That sounds perfectly plausible.

John Kemper has been with the bank since 2007 and was named president and COO in 2013.

The CEO change is exactly what investors like to see. The share is now trading close to its record high, and profits are booming.

Form and language of the announcement provide the icing on the cake.

The outgoing CEO speaks highly of his successor: "I am delighted John will become CEO and continue our strong record of growth and expansion."

In the announcement from Kansas City, Missouri-based Commerce Bancshares, David Kemper receives accolades and praise.

John Kemper said: "As Commerce's CEO for 30 years, David has built a best-in-class foundation for our bank and, in that time, has delivered to our shareholders total annualized returns, including dividends, of 14.1%, compared to the S&P 500 and Nasdaq bank indices of 10.7% and 9.9% respectively."

With a Push-out Score of 9, the CEO change at **Mattel Inc.** is in the upper range of the scale and seems frosty.

As announced on April 19, Margaret H. (Margo) Georgiadis leaves her CEO post at the toy company effective April 26.

Georgiadis's duties will be taken over by Ynon Kreiz, a former CEO of Maker Studios Inc. Kreiz is already a director of Mattel.

Georgiadis has informed the Board of "her decision to step down" from her executive and board roles "to pursue a new opportunity in the technology sector."

Georgiadis will serve in an advisory role at Mattel until May 10, after which she will take over the role of CEO in genealogy website Ancestry.com.

A variety of factors indicates that Georgiadis was under strong pressure to leave Mattel.

Among the red flags are the outgoing CEO's low age (54 years), the fact that Georgiadis leaves her post at short notice (seven days after the announcement date), her short tenure (one year and two months) and the fact that her successor is taken from the board. That makes the first four points on the scale.

The reason given is not completely comprehensible. That's point number 5. It is questionable whether her move can be considered a career advancement, and a carefully planned career rise would certainly look different. On September 12, 2017, Ancestry said that it has postponed its previously announced initial public offering.

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Georgiadis steps aside at a critical time. Point number 6.

Mattel has had a tough year, with weak sales of its iconic brands like American Girl Doll and Fisher-Price. Mattel's sales fell 11% last year, its fourth-straight year of declines. The bankruptcy and subsequent liquidation of Toys "R" Us, which was the largest toy retailer and a top channel for Mattel sales, was another blow to Mattel.

Mattel's shares have lost almost half their value since Georgiadis took the reins in February of 2017. That's point number 7.

The form and language of the announcement provide further warning signals and two additional points.

In the announcement from El Segundo, California-based Mattel, the departing chief executive gets no accolades for concrete successes and no word of regret.

Georgiadis points to accomplishments during her tenure. "We have made strong progress in addressing the critical structural challenges facing Mattel."

Christopher A. Sinclair, the executive chairman and former CEO of Mattel, said 28 stale words regarding Georgiadis: "On behalf of the Board and management team, we thank Margo for her service and many contributions to Mattel. We wish her the best in her future endeavors."

In the announcement, Sinclair introduces Ynon Kreiz with 98 warm words. He praises Kreiz to the skies and says that he "has excelled at anticipating industry trends" and brings "an outstanding track record of innovation and success," with over 20 years of experience in the media and entertainment industries, including "particularly deep experience in children's entertainment." Ynon Kreiz will be Mattel's fourth CEO in four years.

Like her predecessor, Georgiadis didn't have experience in the toy business before taking the job. From September 2011 to February 2017, she served as president, Americas, at Google Inc.

Conclusion: Low age, short notice period, short tenure, succession issues, non-transparent reason, critical time, poor share price development, formal anomalies and linguistic peculiarities in the announcement are nine red flags. Georgiadis's move follows the pattern typical of bumpy CEO changes.

In the announcement from Ancestry, Georgiadis says that she is "thrilled to join Ancestry at a dynamic period of accelerated growth and innovation."

Did she turn her back on Mattel because of better opportunities elsewhere ("I deserve better than this")? Did she decide to quit on her own volition in times of high stress ("I can do without that")? Does Mattel need a CEO with a different skill set? Perhaps all three reasons apply.

In the U.S., the average tenure of departing CEOs in the 12-month period from May 2017 to April 2018 was 9.8 years (see Exhibit 5). The average CEO retirement age in the U.S. was 61.7 (see Exhibit 6).

These results were calculated from 246 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 6.1. The lowest Push-out Scores were determined in the Financial sector with 3.3 and the Industrial Goods sector with 3.3.

In the Basic Materials sector, the average Push-out Score was 5.4, in the Consumer Goods sector it was 5.3, in the Services sector it was 5.3, and in the Technology sector it was 5.8.

Corporate governance experts from Stanford University have investigated exchange's analysis model and found that Push-out Scores are positively correlated with stock market volatility. See Gow, Ian D., Larcker, David F. and Tayan, Brian, "Retired or Fired: How Can Investors Tell If a CEO Was Pressured to Leave?" (May 25, 2017). Rock Center for Corporate Governance at Stanford University

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Closer Look Series: Topics, Issues and Controversies in Corporate Governance No. CGRP-66;  
Stanford University Graduate School of Business Research Paper No. 17-40. Available at SSRN:  
<https://ssrn.com/abstract=2975805>

**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</b>			
<b>Announced</b>	<b>Company</b>	<b>Name</b>	<b>Push-out Score *</b>
30-Apr-18	TransDigm Group Inc.	Nick Howley	1
26-Apr-18	Deluxe Corp.	Lee Schram	4
25-Apr-18	Regions Financial Corp.	Grayson Hall	0
19-Apr-18	Macerich Co.	Art Coppola	6
19-Apr-18	Mattel Inc.	Margo Georgiadis	9
12-Apr-18	Lennar Corp.	Stuart Miller	5
10-Apr-18	RLJ Lodging Trust	Ross Bierkan	8
5-Apr-18	WageWorks Inc.	Joe Jackson	10
2-Apr-18	Commerce Bancshares Inc.	David Kemper	0
26-Mar-18	Lowe's Cos.	Robert Niblock	7
20-Mar-18	Dover Corp.	Bob Livingston	5
15-Mar-18	EQT Corp.	Steve Schlotterbeck	9
12-Mar-18	Lattice Semiconductor Corp.	Darin Billerbeck	8
8-Mar-18	Cooper Cos.	Bob Weiss	2
5-Mar-18	3M Co.	Inge Thulin	0
27-Feb-18	SeaWorld Entertainment Inc.	Joel Manby	10
06-Feb-18	Wynn Resorts Ltd.	Steve Wynn	10
05-Feb-18	Lululemon Athletica Inc.	Laurent Potdevin	10
18-Jan-18	Texas Instruments Inc.	Rich Templeton	0
9-Jan-18	Domino's Pizza Inc.	Patrick Doyle	2
5-Dec-17	Dish Network Corp.	Charlie Ergen	5
29-Nov-17	Chipotle Mexican Grill Inc.	Steve Eells	7
21-Nov-17	Hewlett Packard Enterprise Co.	Meg Whitman	5
18-Oct-17	American Express Co.	Ken Chenault	0
28-Sep-17	Kellogg Co.	John Bryant	8
26-Sep-17	Equifax Inc.	Rick Smith	8
30-Aug-17	Expedia Inc.	Dara Khosrowshahi	0
17-Jul-17	Bank of New York Mellon Corp.	Gerald Hassell	2
12-Jun-17	General Electric Co.	Jeff Immelt	4
22-May-17	Ford Motor Co.	Mark Fields	9

\* The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Push-out Scores above 5 suggest strong pressure. Source: exchange

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 in post (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

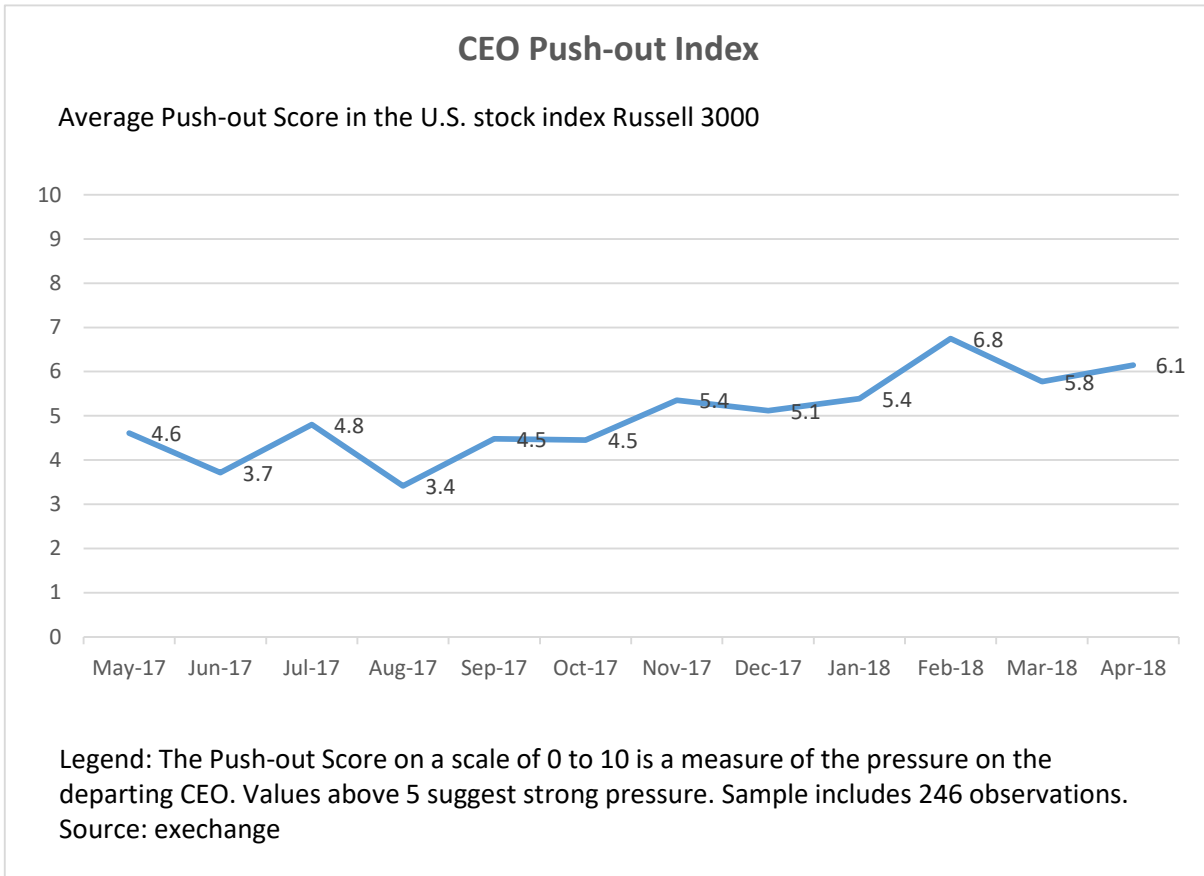
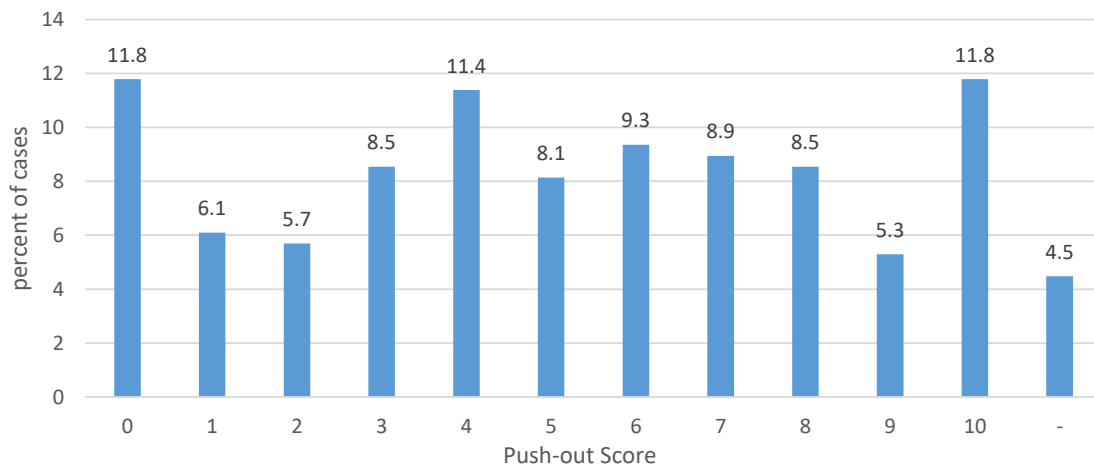




Exhibit 4

### Many CEOs leave the position under pressure

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



Legend: Around 12 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 246 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 5

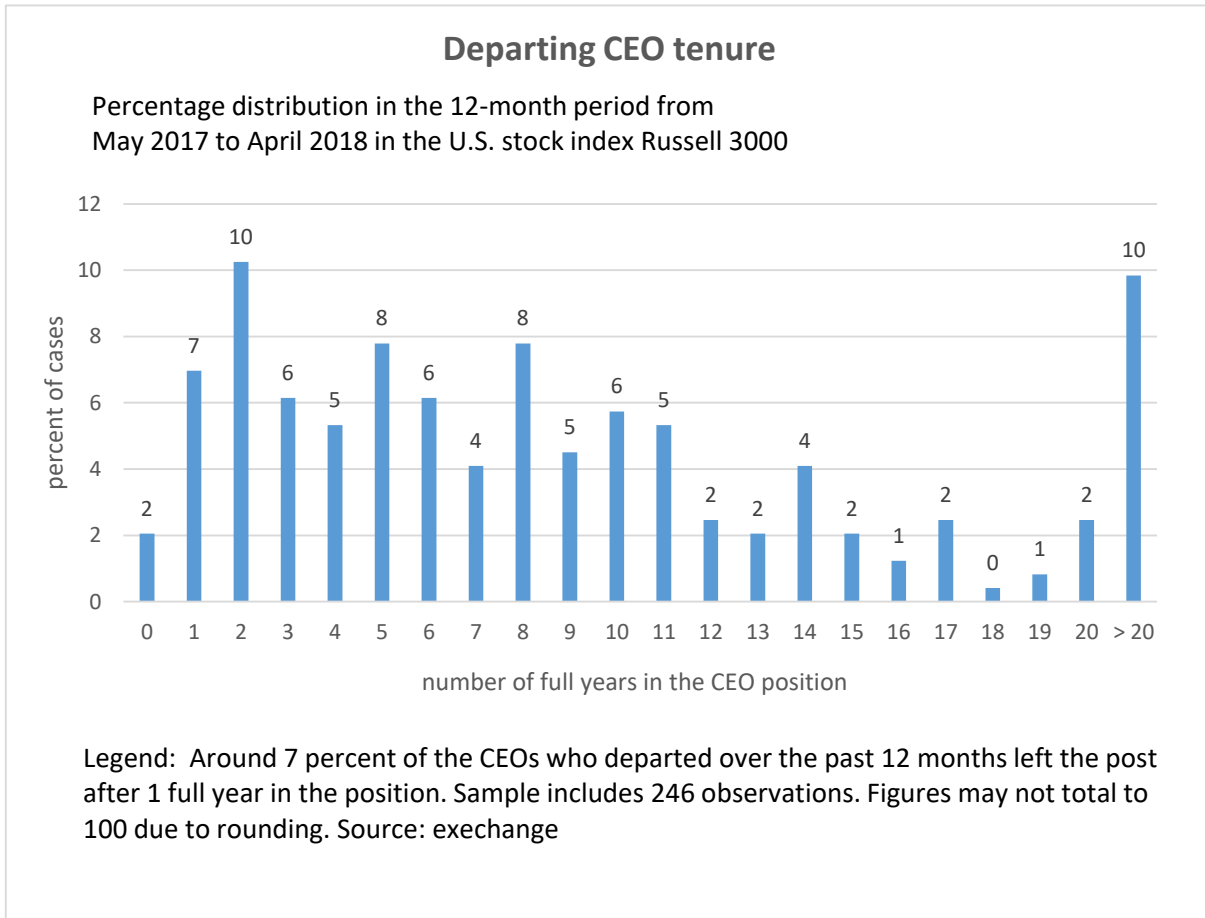
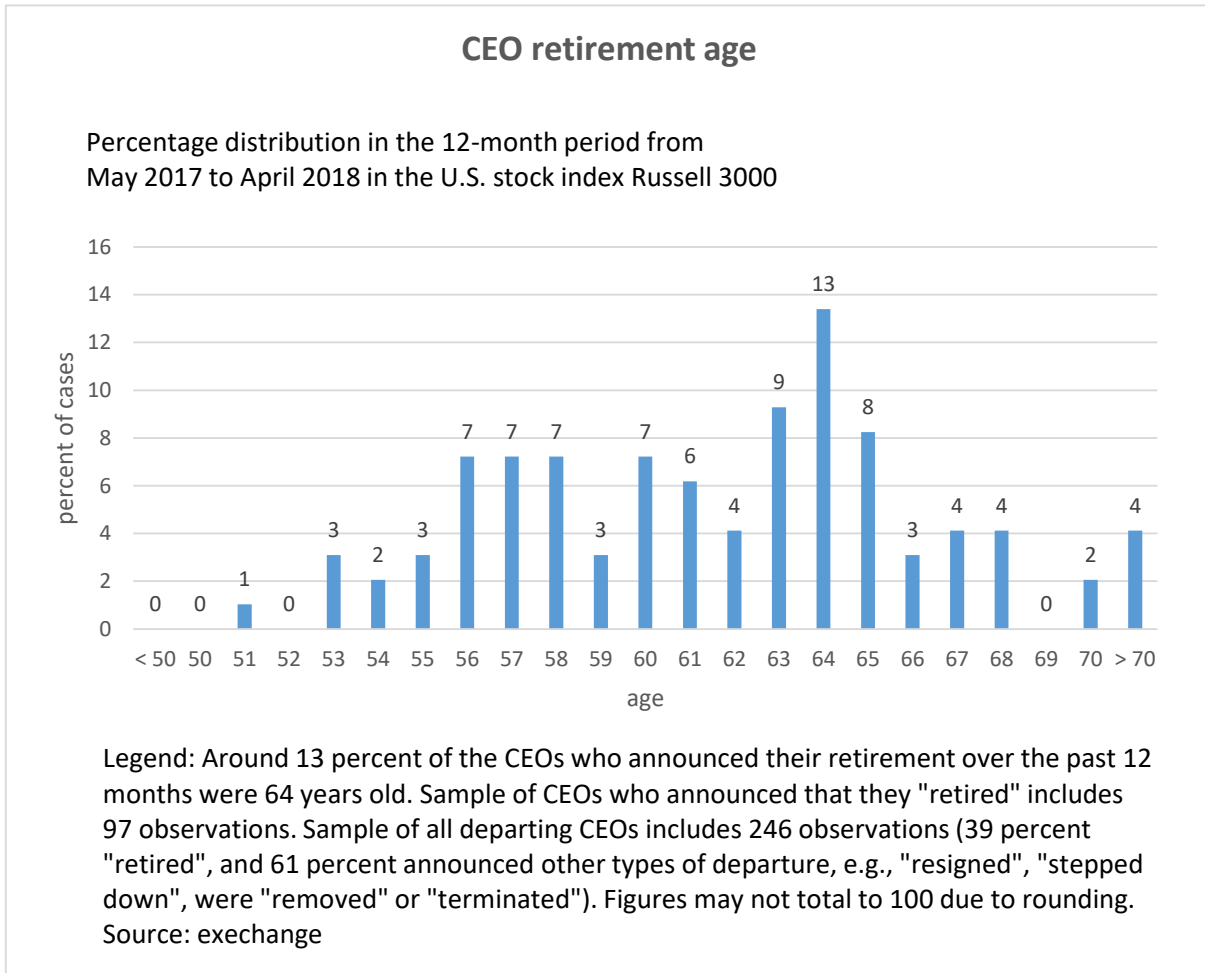


Exhibit 6

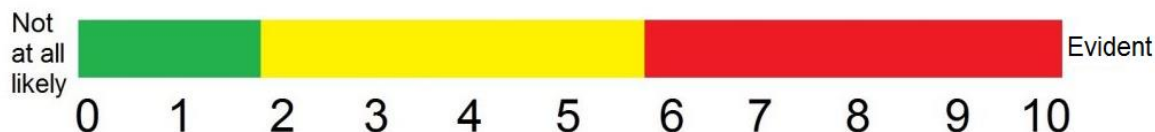


## **Push-out Score™: The number you need to know**

*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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We determine the Push-out Score™