One in two CEOs steps down under high pressure

- In-depth analysis of 515 CEO departures in the U.S. from the past 24 months
- Around 2.9% of CEOs have been ousted with a specific reference to misconduct
- Female CEOs are obviously more likely to be pushed out than male CEOs
- CEOs of energy and consumer goods companies are feeling the heat

(exchange) -- August 4, 2019 -- Research using the Push-out Score analysis model shows that one in two CEOs steps down under high pressure.

exchange has analyzed 515 CEO departures from companies on the Russell 3000 index over the past 24 months (see Exhibit 1). The Russell 3000 index includes most public companies on major U.S. stock exchanges.

exchange 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 overly forced departure. Push-out Scores above 5 mean that the red flags cannot be counted on the fingers of one hand, suggesting strong pressure.

The Push-out Score incorporates facts from company announcements and other publicly available data. It considers not only the official reason given for the departure, but also additional evidence that weighs on the credibility of that reason. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2).

The Push-out Score indicates how many of the following nine criteria are met: unusual age, short notice, short tenure, poor share price performance, non-transparent reason, challenging circumstances, 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.

The CEO Push-out Index™, which reflects the average Push-out Score for CEO departures in the U.S., fluctuated between 3.4 and 8.3 in the 24-month period from August 1, 2017 to July 31, 2019 (see Exhibit 3).

Throughout 2018, the index was impacted by several CEO departures linked to conduct issues. The #MeToo movement has increased public pressure on top managers who were reported to have behaved inappropriately.

The index reached its highest level at the end of 2018. In December 2018, the U.S. stock market has had its worst December since the Great Depression. Stocks plunged on fears the trade war with China will last longer and escalate further, crushing corporate profit growth and damaging the global economy.
Around 52% of the Push-out Scores of CEO departures in the U.S. from the past 24 months reached values between 6 and 10 (see Exhibit 4).

In other words, one in two CEOs steps down under high pressure.

In the 24-month period from August 1, 2017 to July 31, 2019, around 32.4% of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 6.8% departed “to pursue other opportunities” and around 2.5% “to spend time with their family,” statements that are sometimes taken as code for firings.

Around 2.3% left for "personal reasons," and around 2.9% have been ousted with a specific reference to misconduct (see Exhibit 5).

CEOs who departed "to pursue other opportunities" received an average score of 7.5. CEOs who left "to spend time with their family" received an average score of 5.9, and CEOs who stepped down for "personal reasons" received an average score of 7.4.

Companies are, within certain limits, not necessarily required to reveal the reason for a CEO departure (see Exhibit 6). However, if they consider it appropriate, they may give a reason for the move, for example to curb speculation.

Female CEOs are obviously more likely to be pushed out than male CEOs. Over the past 24 months, outgoing female CEOs have received an average Push-out Score of 6.3, somewhat above the average Push-out Score of 5.6 for outgoing male CEOs.

In the U.S., the average tenure of departing CEOs in the 24-month period from August 1, 2017 to July 31, 2019 was 8.3 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 60.9 years. The average CEO departure age (including CEOs who resigned, stepped down or retired) in the U.S. was 58.5 years (see Exhibit 8).

Over the past 24 months, the average Push-out Scores in seven out of 11 sectors have been above the critical threshold of 5. The highest average Push-out Scores in the U.S. were determined in the energy sector with 6.7, in the consumer discretionary sector with 6.5 and in the consumer staples sector with 6.4 (see Exhibit 9). Energy companies are under pressure from natural gas and green energy producers. The consumer discretionary sector includes many brick-and-mortar stores that face fierce competition from online retailers such as Amazon.com. Companies in the consumer staples sector, which includes suppliers of products ranging from toothpaste to canned soup, are grappling with rapidly changing consumer preferences that undermine the value of big consumer brands. Food companies are under particular pressure as shoppers have started to avoid canned and boxed food.

The lowest Push-out Scores were determined in the utilities sector with 2.8, in the real estate sector with 3.7 and in the financials sector with 4.

In the health care sector, the average Push-out Score was 6.4, in the communication sector it was 6.3, in the information technology sector it was 5.9, in the materials sector it was 5.2, and in the industrials sector it was 5.

These results were calculated from 515 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.

The exequity study documents and analyzes CEO departure events of Russell 3000 companies, updating a database first introduced in 2017.

Corporate governance experts from Stanford University (David Larcker and Brian Tayan) and Harvard University (Ian Gow, now University of Melbourne) have investigated exchange's analysis model and found that Push-out Scores are positively correlated with stock market volatility. See https://ssrn.com/abstract=2975805
This and earlier reports, including exhibits, are available at https://exechange.com/news

About exechange

exechange is the independent, privately held research provider that tracks executive changes and determines the Push-out Score™, a measure of pressure on departing CEOs on a scale of 0 to 10. The Push-out Score was featured by The Wall Street Journal, Harvard Business Review and Stanford University. For more information, visit exechange.com.
### Selected CEO departures

<table>
<thead>
<tr>
<th>Announced</th>
<th>Company</th>
<th>Name</th>
<th>Push-out Score *</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-Jul-19</td>
<td>Vertex Pharmaceuticals Inc.</td>
<td>Jeff Leiden</td>
<td>0</td>
</tr>
<tr>
<td>22-Jul-19</td>
<td>TD Ameritrade Holding Corp.</td>
<td>Tim Hockey</td>
<td>10</td>
</tr>
<tr>
<td>19-Jul-19</td>
<td>Schlumberger Ltd.</td>
<td>Paal Kibsgaard</td>
<td>7</td>
</tr>
<tr>
<td>22-Apr-19</td>
<td>Kraft Heinz Co.</td>
<td>Bernardo Hees</td>
<td>7</td>
</tr>
<tr>
<td>28-Mar-19</td>
<td>Wells Fargo &amp; Co.</td>
<td>Tim Sloan</td>
<td>9</td>
</tr>
<tr>
<td>11-Feb-19</td>
<td>Colgate-Palmolive Co.</td>
<td>Ian Cook</td>
<td>2</td>
</tr>
<tr>
<td>6-Feb-19</td>
<td>Cognizant Technology Solutions Corp.</td>
<td>Frank D'Souza</td>
<td>5</td>
</tr>
<tr>
<td>8-Jan-19</td>
<td>MetLife Inc.</td>
<td>Steve Kandarian</td>
<td>3</td>
</tr>
<tr>
<td>22-Oct-18</td>
<td>Kimberly-Clark Corp.</td>
<td>Tom Falk</td>
<td>4</td>
</tr>
<tr>
<td>17-Oct-18</td>
<td>Constellation Brands Inc.</td>
<td>Rob Sands</td>
<td>4</td>
</tr>
<tr>
<td>1-Oct-18</td>
<td>Pfizer Inc.</td>
<td>Ian Read</td>
<td>0</td>
</tr>
<tr>
<td>1-Oct-18</td>
<td>General Electric Co.</td>
<td>John Flannery</td>
<td>9</td>
</tr>
<tr>
<td>12-Sep-18</td>
<td>Prudential Financial Inc.</td>
<td>John Strangfeld</td>
<td>1</td>
</tr>
<tr>
<td>10-Sep-18</td>
<td>HCA Healthcare Inc.</td>
<td>Milton Johnson</td>
<td>1</td>
</tr>
<tr>
<td>27-Aug-18</td>
<td>Weyerhaeuser Co.</td>
<td>Doyle Simons</td>
<td>4</td>
</tr>
<tr>
<td>23-Aug-18</td>
<td>Intuit Inc.</td>
<td>Brad Smith</td>
<td>2</td>
</tr>
<tr>
<td>6-Aug-18</td>
<td>PepsiCo Inc.</td>
<td>Indra Nooyi</td>
<td>5</td>
</tr>
<tr>
<td>25-Jul-18</td>
<td>Gilead Sciences Inc.</td>
<td>John Milligan</td>
<td>8</td>
</tr>
<tr>
<td>17-Jul-18</td>
<td>Texas Instruments Inc.</td>
<td>Brian Crutcher</td>
<td>10</td>
</tr>
<tr>
<td>17-Jul-18</td>
<td>Goldman Sachs Group Inc.</td>
<td>Lloyd Blankfein</td>
<td>3</td>
</tr>
<tr>
<td>12-Jul-18</td>
<td>Northrop Grumman Corp.</td>
<td>Wes Bush</td>
<td>6</td>
</tr>
<tr>
<td>21-Jun-18</td>
<td>Intel Corp.</td>
<td>Brian Krzanich</td>
<td>10</td>
</tr>
<tr>
<td>8-Jun-18</td>
<td>Verizon Communications Inc.</td>
<td>Lowell McAdam</td>
<td>4</td>
</tr>
<tr>
<td>29-May-18</td>
<td>Brown-Forman Corp.</td>
<td>Paul Varga</td>
<td>3</td>
</tr>
<tr>
<td>26-Mar-18</td>
<td>Lowe's Cos.</td>
<td>Robert Niblock</td>
<td>7</td>
</tr>
<tr>
<td>12-Mar-18</td>
<td>Sempra Energy</td>
<td>Debbie Reed</td>
<td>3</td>
</tr>
<tr>
<td>5-Mar-18</td>
<td>3M Co.</td>
<td>Inge Thulin</td>
<td>0</td>
</tr>
<tr>
<td>1-Feb-18</td>
<td>Altria Energy</td>
<td>Marty Barrington</td>
<td>4</td>
</tr>
<tr>
<td>25-Jan-18</td>
<td>Equinix Inc.</td>
<td>Steve Smith</td>
<td>10</td>
</tr>
<tr>
<td>18-Jan-18</td>
<td>Texas Instruments Inc.</td>
<td>Rich Templeton</td>
<td>0</td>
</tr>
<tr>
<td>7-Nov-17</td>
<td>State Street Corp.</td>
<td>Jay Hooley</td>
<td>3</td>
</tr>
<tr>
<td>6-Nov-17</td>
<td>Anthem Inc.</td>
<td>Joe Swedish</td>
<td>6</td>
</tr>
<tr>
<td>18-Oct-17</td>
<td>American Express Co.</td>
<td>Ken Chenault</td>
<td>0</td>
</tr>
<tr>
<td>28-Sep-17</td>
<td>Chevron Corp.</td>
<td>John Watson</td>
<td>3</td>
</tr>
<tr>
<td>16-Aug-17</td>
<td>UnitedHealth Group Inc.</td>
<td>Steve Hemsley</td>
<td>0</td>
</tr>
<tr>
<td>2-Aug-17</td>
<td>Mondelez International Inc.</td>
<td>Irene Rosenfeld</td>
<td>2</td>
</tr>
</tbody>
</table>

* 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: exechange
Exhibit 2

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

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

**Source:** exchane
How strong the pressure is: CEO Push-out Index

Average Push-out Score in the 24-month period from August 1, 2017 to July 31, 2019 in the U.S. stock index Russell 3000

Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 515 observations. Source: exechange
How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 24-month period from August 1, 2017 to July 31, 2019 in the U.S. stock index Russell 3000

Legend: Around 8 percent of the CEOs received a Push-out Score of 0. Cases in which a score is not determined (e.g., death) are summarized under ‘-’. Sample includes 515 observations. Figures may not total to 100 due to rounding. Source: exechange
Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 24-month period from August 1, 2017 to July 31, 2019 in the U.S. stock index Russell 3000

- No reason given: 32.4%
- "Planned succession": 19.2%
- "The time is right": 13.2%
- Performance issues (**): 15.5%
- "Other opportunities": 6.8%
- "Time with family": 2.5%
- "Personal reasons": 2.3%
- Bad behavior: 2.9%
- Disagreement: 1.0%
- Health: 1.9%
- Death: 0.4%
- Career change (*): 1.4%
- Non-business-related reasons: 0.4%

(*) if precise information about the new position is available immediately after the departure announcement; (**) if explicitly mentioned; Sample includes 515 observations. Figures may not total to 100 due to rounding. Source: exechange
Exhibit 6

SEC requirements

Companies are, within certain limits, not necessarily required to reveal the reason for a CEO departure. However, if they consider it appropriate, they may give a reason for the move, for example to curb speculation.

The Securities and Exchange Commission requires that public companies must issue a securities filing called an 8-K within four business days if a major event relevant to shareholders occurs (see https://www.sec.gov/files/form8-k.pdf).

While Item 5.02(b) of Form 8-K requires companies to disclose when a principal executive officer "retires, resigns or is terminated from that position," companies only need to "disclose the fact that the event has occurred and the date of the event."

When companies make statements, they must act responsibly, including endeavoring to ensure the statements are not false or misleading and do not omit information a reasonable investor would consider important in making an investment decision.

If the CEO is also a director, which a CEO often is, and departs in their capacity as a director because of a disagreement with the company "on any matter relating to the company's operations, policies or practices," or has been removed for cause from the board of directors, item 5.02(a) of Form 8-K requires the company to disclose "a brief description of the circumstances representing the disagreement that the registrant believes caused, in whole or in part, the director's resignation, refusal to stand for re-election or removal."

The SEC does not detail how specific that description must be.

While statements must not be misleading, companies sometimes give vague reasons for a CEO's departure. This approach may be sensible because an investigation has not yet been completed, due to privacy concerns for the CEO, in order to prevent a defamation action by the departing CEO against the company, or to have more flexibility in case a CEO tries to litigate a "for cause" departure or the elimination of severance payments.
Exhibit 7

**How long they stay: Departing CEO tenure**

Percentage distribution in the 24-month period from August 1, 2017 to July 31, 2019 in the U.S. stock index Russell 3000

Legend: Around 7 percent of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 515 observations. Figures may not total to 100 due to rounding. Source: exechange
When they go: CEO departure age

Percentage distribution in the 24-month period from August 1, 2017 to July 31, 2019 in the U.S. stock index Russell 3000

Legend: Around 6 percent of the CEOs who announced their departure within the above mentioned period were 64 years old. Sample includes 515 observations. Figures may not total to 100 due to rounding. Source: exechange
Where the pressure on CEOs is high

Average Push-out Scores by sector in the 24-month period from August 1, 2017 to July 31, 2019 in the U.S. stock index Russell 3000

Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 515 observations. Source: exechange
**Push-out Score™: The number you need to know**

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

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**Push-out Score™**

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

[Scale from Not at all likely to Evident]

© exchange

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**How the scoring works**

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

exchange’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 confidant. Whose fate is unknown.
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 pays 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?