Wet start to fall for CEOs

- CEO Push-out Index climbs to 6.4 in September from 5.8 in August
- Spectacular exit: SeaWorld CEO Gus Antorcha resigns
- Strange departure: DXC CEO Mike Lawrie retires
- Dignified move: Nucor CEO John Ferriola retires
- In-depth analysis of 283 CEO departures in the U.S. from the past 12 months

(exechange) -- October 1, 2019 -- SeaWorld Entertainment Inc., DXC Technology Co. and Nucor Corp. are among the U.S. companies that announced a leadership change in September 2019.

Obviously, not all of the top managers leave their posts entirely on their own initiative.

Research using the Push-out Score analysis model shows that in the first fall month, forced CEO changes prevailed. The pressure on CEOs in the U.S. has continued to rise in September 2019, remaining at a significantly elevated level.

These are the results of a recent study by the research firm exechange, which has analyzed 283 CEO departures from companies on the Russell 3000 index over the past 12 months (see Exhibit 1). The Russell 3000 index includes most public companies on major U.S. stock exchanges.

exechange 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 that the executive's departure was almost certainly voluntary, whereas a score of 10 suggests an openly forced exit (requiring proof by clear and convincing evidence or proof beyond a reasonable doubt). Push-out Scores above 5 indicate that there is strong reason to believe that an executive may have been pushed out (requiring proof by a preponderance of the evidence).

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.

For example, a CEO in his early 50s is likely to receive a high score if he steps down at short notice after a short tenure without a comprehensible explanation and if the company's stock price is weak, the succession plan remains unclear and the board's praise of him is lukewarm.
CEO Push-out Index climbs to 6.4

Wet start to fall for CEOs: The CEO Push-out Index™, which is calculated monthly and reflects the average Push-out Score for CEO departures in the U.S., rose to 6.4 in September 2019 from 5.8 in August 2019 (see Exhibit 3). The index surged for the second consecutive month. For the seventh month in a row, it was above the critical level of 5. Index values over 5 signal that apparently involuntary CEO departures predominate.

In September 2019, the barometer was influenced by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at EBay Inc., DXC Technology Co., Tapestry Inc., SeaWorld Entertainment Inc., Akcea Therapeutics Inc., Stewart Information Services Corp. and Tidewater Inc. A large number of high Push-out Scores in the month of September is unusual. During September, the index is typically characterized by a seasonal pattern with a large number of low Push-out Scores. Carefully planned CEO successions are often implemented at the end of the year and officially announced around 100 days in advance, that is, in September. As a result, the average Push-out Score generally decreases significantly at the beginning of the fall season. Voluntary leadership changes and events with low Push-out Scores had a much lower impact on the index in September, among them the CEO changes at Bank of New York Mellon Corp., KeyCorp, Nucor Corp., Sanmina Corp. and Culp Inc.

In August 2019, the index had also been dominated by many obviously forced turnover events and leadership changes with high Push-out Scores, including the announced CEO departures at Aramark, E*Trade Financial Corp., Guidewire Software Inc., Papa John's International Inc., Amneal Pharmaceuticals Inc., Quotient Technology Inc. and Overstock.com Inc.

The average Push-out Score for CEO departures in the 12-month period from October 1, 2018 to September 30, 2019 was 6, substantially above the long-term average of 5.

Around 59% of the Push-out Scores of CEO departures in the U.S. from the past 12 months reached values between 6 and 10 (see Exhibit 4).

In other words, more than one in two CEOs stepped down under high pressure.

Spectacular exit: SeaWorld CEO Gus Antorcha resigns

With a Push-out Score of 10, the CEO departure at SeaWorld Entertainment Inc. is at the top of the scale and appears spectacular.

As announced on September 16, 2019, Gustavo (Gus) Antorcha has left his post as CEO at the theme park and entertainment company.

While some facts speak for the departing executive, there is no reasonable doubt that Antorcha was under tremendous pressure to go. To begin with, let us look at the positive criteria.

Formally, Antorcha steps aside voluntarily. SeaWorld stated that he “informed the company of his intention to resign."

It should also be noted that the stock price performance is satisfactory. The announcement follows an increase in SeaWorld's share price of 12% since February 2019.

At the same time, even a superficial observer can hardly overlook the multitude of warning signals. The age of Antorcha of 44 years (at the time the company filed its last annual proxy statement preceding the announcement) is very low. That's the first point for the Push-out Score.

Precise information regarding Antorcha's future plans was not immediately available.

The notice period is alarming. The change was implemented three days before the announcement date. Point number 2.

The term of office of Antorcha as CEO of seven months (as of September 13, 2019) is extremely short. Point 3. Prior to joining SeaWorld, Antorcha served as Chief Operating Officer of Carnival Cruise Lines.
Above all, the officially stated reason for the leadership change is a sign of enormous pressure. Point 4.

SeaWorld said: "Mr. Antorcha informed the company that his resignation was due to disagreements over the board’s involvement in the decision making at the company."

The circumstances of the management change are challenging. Point 5.

SeaWorld has been in turmoil since the anti-captivity documentary "Blackfish" came out in 2013. While SeaWorld returned to profitability in 2018 after two years of losses, its revenue has never recovered fully to levels prior to the documentary.

With Antorcha’s departure, SeaWorld will be looking for its fourth CEO in the past five years.

The succession raises questions. Point 6.

"The Board of Directors has engaged a leading executive search firm to assist in the search for Mr. Antorcha’s successor," SeaWorld said.

Marc Swanson, who serves as chief financial officer, has been appointed interim CEO.

The form and language of the announcement provide points 7 and 8.

In the announcement from SeaWorld, which is based in Orlando, Florida, Gus Antorcha receives thanks and good wishes, but no accolades for concrete and quantified successes, no praise and no word of regret.

Scott Ross, chairman of the board of directors, did not say many words regarding Gus Antorcha: "We thank Gus for his contributions and wish him well in his future endeavors."

SeaWorld said in a regulatory filing: "Mr. Antorcha is not entitled to, and informed the company that he is not seeking, any severance benefits in connection with his departure."

Interim CEO Marc Swanson said: "We will continue to focus on improving our execution with enhanced marketing and communications initiatives, more effective pricing strategies, the introduction of new compelling rides, attractions and events and relentlessly seeking and executing on cost and capital efficiencies."

Swanson puts plenty of salt in open wounds. In one sentence, he indirectly addresses deficits in several areas.

The announcement of Antorcha's move comes three months after Scott Ross took over as chairman of SeaWorld.

The constellation of all the aforementioned warning signals leaves little room for interpretation and indicates that Antorcha was under enormous pressure to leave.

According to the Push-out Scoring System, 10 points are given when the manager was openly pushed out or when there is no reasonable doubt that the manager left the position under tremendous pressure.

Therefore, the Push-out Score is increased to 10.

Isolated from the present case, it is irrelevant for the Push-out Score whether a manager was forced to leave or quit under pressure.

Furthermore, independent from the present case, a Push-out Score of 10, an honorable departure and a formally voluntary resignation are not mutually exclusive.

A CEO who is under extreme pressure can decide that it is the right time to go and leave with his head held high.

Antorcha said: "While I may have a difference of approach, I continue to believe in SeaWorld's strategy, mission, team and prospects."
SeaWorld did not respond to a message seeking comment on the score.

**Strange departure: DXC CEO Mike Lawrie retires**

With a Push-out Score of 8, the CEO departure at DXC Technology Co. is in the upper quarter of the scale and looks strange.

As announced on September 11, 2019, J. Michael (Mike) Lawrie leaves his post as CEO at the IT outsourcing giant.

In strictly formal terms, Lawrie leaves his post voluntarily. DXC stated that Lawrie “has announced his retirement as president and CEO and will retire as DXC’s board chair on Dec. 31, 2019.”

At 66 (at the time the company filed its last annual proxy statement preceding the announcement), Lawrie is at the typical retirement age.

Nevertheless, almost all criteria of the analysis model suggest that Lawrie was under intense pressure to leave his CEO post.

The change is effective immediately. That’s the first point for the Push-out Score.

The term of office of Lawrie as DXC CEO of two years and five months (as of September 11, 2019) is very short. Point number 2.

DXC was formed by merging the services assets of Hewlett-Packard Enterprise Co. and the former Computer Sciences Corp. in 2016. Lawrie joined Computer Sciences Corp. as president and CEO on March 19, 2012.

The stock price performance is poor. The announcement follows a decline in DXC’s share price of 60% since October 2018. Point 3.

The reason for the leadership change is not fully transparent. Point 4.

Mike Lawrie’s departure from the CEO post is explained as follows. DXC said: “Lawrie and the DXC board began discussing succession and planned retirement about a year ago. With his support, the board began a process to identify and recruit his successor.”

At the same time, it remains open as to why Lawrie is leaving right now and what exactly triggered his move.

Meanwhile, the circumstances of the management change are challenging. Point 5.

Despite resorting to office closures and layoffs in hopes of cutting overhead, DXC was unable to keep up with its financial outlook and delivered a disappointing quarterly report in August.

The succession is not exactly a sign of continuity and raises questions. Point 6.

Mike Lawrie’s duties as CEO will be taken over by Michael J. (Mike) Salvino, most recently managing director of Carrick Capital Partners. Before joining Carrick, Salvino served for seven years as group chief executive of Accenture Operations, one of Accenture’s five businesses, and was a member of Accenture’s global management committee.

Salvino has served as a member of DXC’s board since May 23, 2019. Generally speaking, directors-turned-executives represent a blend of outsider and insider.

They don’t have the constraints of a pure insider when it comes to leading painful changes or making unpopular decisions, and they have more company knowledge than a pure outsider.

Having been a director, Salvino understands the expectations and dynamics of the board and has knowledge of DXC’s organization, risk-management practices and strategy.

The form and language of the announcement provide points 7 and 8.

In the announcement from DXC, which is based in Tysons, Virginia, Mike Lawrie receives praise and thanks, but no accolades for concrete and quantified successes.
Manoj P. Singh, chair of the board's nominating committee, thanks Mike Lawrie for "guiding DXC through its successful integration and initial phase of transformation."

While Lawrie states that "Mike Salvino is the perfect choice to lead DXC into its next phase of growth," Salvino said: "DXC has an enviable client portfolio, deep industry partnerships and a talented global team. I am looking forward to leveraging these strengths and my proven operational playbook to accelerate the execution of our growth strategy."

Accelerate the execution of our growth strategy: It seems obvious that the company requires a CEO with a different skill set.

Lawrie shall remain an employee of DXC and continue to receive his annual base salary of $1,250,000 until his retirement as chairman on December 31, 2019. DXC stated in a regulatory filing that Lawrie’s retirement is acknowledged to be in conjunction with the Good Reason provisions of Section 5(d) of his employment agreement.

Generally speaking, for an employee to terminate the employment relationship for good reason, the employer must have taken action that results in a material negative change in the conditions under which the employee serves the company.

Conclusion: Notice period, tenure, share price development, official reason, circumstances, succession plan, form of the announcement and language in the communication raise eight red flags. Only Lawrie’s age of 66 years (at the time the company filed its last annual proxy statement preceding the announcement) prevented the score from climbing higher.

DXC did not respond to a message seeking comment on the score.

**Dignified move: Nucor CEO John Ferriola retires**

With a Push-out Score of 1, the CEO departure at Nucor Corp. is near the bottom of the scale and seems dignified.

As announced on September 6, 2019, John J. Ferriola leaves his post as CEO at the largest U.S. steelmaker, effective December 31, 2019.

Ferriola's move meets all the criteria for an ideal leadership changes, with one exception.

First, Ferriola's age of 67 years (at the announcement date) is appropriate to the move.

Second, the lead time of 116 days is immaculate.

Third, Ferriola’s term of office as CEO of seven years (as of December 31, 2019) is impeccable.

Fourth, the stock price performance is satisfactory. The announcement follows an increase in Nucor's share price of 9% since January 2013. In terms of share price, Nucor has significantly outperformed its competitor United States Steel Corp. in the past one, two and five years.

Fifth, the officially stated reason for the leadership change is understandable. Nucor said that Ferriola will retire as chairman and CEO "in connection with Nucor's planned succession process."

Planned succession process? That sounds perfectly plausible because sixth, the succession plan points to a slick handover.

Nucor announced that the board of directors elected Leon J. Topalian to be president and chief operating officer, effective September 5, 2019, and to succeed Ferriola as CEO on January 1, 2020.

The incoming CEO has worked his way up the corporate ladder. It is a sign of a healthy organization when it can identify and groom the talent from within and elevate an internal person to the post of CEO.

Topalian had served as an executive vice president of Nucor from 2017 to 2019 and a vice president from 2013 to 2017. He has been employed by Nucor in various capacities since 1996.

Seventh, the form of the announcement is fine.
Eighth, the language in the announcement is appropriate.

In the announcement from Nucor, which is based in Charlotte, North Carolina, John Ferriola receives praise and good wishes.

John H. Walker, Nucor’s lead independent director, said: “John Ferriola has been a thought leader in the steel industry and helped position Nucor at the forefront of its peers. The board is deeply appreciative of his excellent leadership and service to Nucor, and we wish John the very best in his well-deserved retirement.”

Is the leadership change a break with the era of the incumbent CEO or a sign of continuity? The language in the announcement points to the latter.

Leon Topalian said: “John has provided us with strong leadership and vision, and I look forward to working with all 26,700 Nucor teammates to continue positioning Nucor as the industry leader.”

Ferriola stated: “One of my key priorities as CEO over the past several years has been to lead a robust and thoughtful succession process, and I believe now is the ideal time for me to transition Nucor’s leadership. I could not be more supportive of Leon as the next CEO.”

Nucor stated: “Mr. Ferriola’s resignation was voluntary and was not the result of any disagreement with the company on any matter relating to the company’s operations, policies or practices.”

Conclusion: Age, notice period, tenure, share price development, official reason given, succession plan, form of the announcement and language in the communication are consistent, reasonable and free of red flags. The Push-out Score is 1 because the circumstances of the management change are somewhat challenging. Nucor is in the midst of a rapid expansion, led by upgrades to many of its key plants, that includes new construction of facilities and even some acquisitions. Nucor is also navigating weakening demand from a decelerating industrial sector. According to the Push-out Scoring System, one sign alone is not significant and can be ignored.

Nucor did not respond to a message seeking comment on the score.

In-depth analysis of 283 CEO departures

In the 12-month period from October 1, 2018 to September 30, 2019, around 30.7% of the CEOs in the U.S. left their post with no reason given in the announcement.

Around 6.7% departed “to pursue other opportunities” and around 2.8% “to spend time with their family,” statements that are sometimes taken as code for firings.

Around 2.1% left for “personal reasons,” and around 1.8% departed with a specific reference to misconduct allegations (see Exhibit 5).

CEOs who departed “to pursue other opportunities” received an average score of 7.9. CEOs who left “to spend time with their family” received an average score of 6, and CEOs who stepped down for “personal reasons” received an average score of 7.5.

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.

In the past 12 months, exechange recorded the following CEO changes in the Russell 3000 index that were openly linked in the departure announcement to alleged conduct issues.

- **Herbalife Nutrition** Ltd. CEO Rich Goudis resigned in January 2019. His departure "pertains to comments which recently came to light, made by Mr. Goudis prior to his role as CEO, that are contrary to the company's expense-related policies and business practices. The comments made were inconsistent with Herbalife Nutrition’s standards and do not reflect the company’s culture."

- **Kemet** Corp. CEO Per Loof resigned in December 2018 following "an investigation overseen by certain independent members of the Kemet board, with the assistance of an external law
firm, of the facts and circumstances surrounding a consensual personal relationship between Mr. Loof and an employee of the company and related actions which were inconsistent with the company's policies."

- **Lam Research** Corp. CEO Martin Anstice resigned in December 2018 "as the company investigates allegations of misconduct in the workplace and conduct inconsistent with the company's core values, including allegations about Mr. Anstice."

- **Abeona Therapeutics** Inc. CEO Carsten Thiel was terminated in November 2018 "due to personal misconduct that violated the company's code of business conduct and ethics."

- **Axalta Coating Systems** Ltd. CEO Terrence Hahn resigned in October 2018 "by mutual agreement with the board, following an investigation by outside counsel into conduct by Mr. Hahn unrelated to financial matters that Axalta believes was inconsistent with company policies."

Female CEOs are obviously more likely to be pushed out than male CEOs. Over the past 12 months, outgoing female CEOs have received an average Push-out Score of 6.9, substantially above the average Push-out Score of 5.9 for outgoing male CEOs.

In the U.S., the average tenure of departing CEOs in the 12-month period from October 1, 2018 to September 30, 2019 was 7.2 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 61.2 years. The average CEO departure age (including CEOs who resigned, stepped down or retired) in the U.S. was 57.7 years (see Exhibit 8).

Over the past 12 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 communication sector with 7.9, in the energy sector with 7.2 and in the consumer discretionary sector with 7 (see Exhibit 9). Telecommunications and media companies are in the midst of digital change. Oil companies are under pressure from consumers, governments and investors to transition to greener energy sources. The consumer discretionary sector includes many brick-and-mortar stores that face fierce competition from online retailers such as Amazon.com.

The lowest Push-out Scores were determined in the real estate sector with 1.6, in the utilities sector with 2.2 and in the financials sector with 4.9.

In the consumer staples sector, the average Push-out Score was 6.9, in the health care sector it was 6.7, in the information technology sector it was 6.2, in the industrials sector it was 5.3, and in the materials sector it was 5.

These results were calculated from 283 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 exechange study monthly 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 exechange's analysis model and found that Push-out Scores are positively correlated with stock market volatility. See https://ssrn.com/abstract=2975805

**This and other 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.
Chief point:

The younger CEOs are, the sooner they go public

By Dirk Schiereck *

The number of exchange-listed companies in Germany has been declining for decades and is today nearly 40% below the level of 1950.

To understand why this development is so extreme in Germany, our study (1) comes up with a new explanation. CEOs of German privately held firms are often too old to go public.

Studies from the U.S. (2) and Italy (3) gave first indications that there is a critical correlation between the career horizon of CEOs and the decision to go public.

Older CEOs are on average more risk averse, and the decision to initiate a stock exchange listing bears a lot of uncertainty.

Based on a data set of 59 companies that completed their IPO in Germany between 2005 and 2018, we document new evidence that there is a statistically significant negative influence of the CEO’s career horizon on the period between the company’s foundation and its IPO.

Younger CEOs bring their companies to the stock market sooner than older top managers.

This effect has been even more accentuated in recent years and within the subsample of the 50% youngest CEOs.

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(3) Romano, Mauro; Cirillo, Alessandro; Mussolino, Donata; Pennacchio, Luca (2019): CEO career horizons and when to go public: the relationship between risk-taking, speed and CEO power. In: Journal of Management and Governance, 23 (1), pp. 139-163.

* The writer is a professor of Corporate Finance at the Technische Universität Darmstadt.

Editor’s note: This is a guest post.
By the numbers:

EBay CEO leaves amid activist pressure

- Push-out Score of 10 suggests tremendous distress
- The CEO departures at Aramark, Bed Bath & Beyond, Newell Brands, Symantec, Conduent and Arconic were also influenced by activist investors

(exchange) -- October 1, 2019 -- When activist investors come on the scene, the clock is ticking for many CEOs. The leaders of Aramark, Bed Bath & Beyond Inc., Newell Brands Inc., Symantec Corp., Conduent Inc. and Arconic Inc. have already experienced this in the current year.

On September 25, 2019, EBay Inc. announced that Devin N. Wenig leaves his post as CEO at the online auctioneer after about four years in the role.

EBay is under pressure from activist investors Elliott Management and Starboard Value.

Was the EBay CEO pushed out?

The Push-out Score of the research firm exchange, which gauges the pressure on outgoing CEOs on a scale of 0 to 10, shows a value of 10 for Wenig's move, indicating tremendous pressure.

The age of Wenig of 52 years (at the time the company filed its last annual proxy statement preceding the announcement) is quite low. That's the first point for the Push-out Score.

The notice period is alarming. The change was implemented one day before the announcement date. Point number 2.

The reason for the leadership change is not completely understandable. Point 3.

Thomas Tierney, chairman of the EBay board, said: "[G]iven a number of considerations, both Devin and the board believe that a new CEO is best for the company at this time."

The circumstances of the management change are challenging. Point 4.

Elliott and Starboard had pressured EBay to rid itself of its StubHub ticketing and classified-ads businesses.

In the announcement, EBay noted that its previously announced operating review is ongoing, "and the company expects to provide an update this fall."

Earlier this year, EBay agreed to add three new board members after reaching agreements with Elliott and Starboard. So far EBay has added two new directors, including Jesse Cohn, who runs Elliott’s U.S. equity activism.

The succession is not exactly a sign of continuity and raises questions. Point 5.

Wenig’s duties as CEO will be taken over in the interim by Scott F. Schenkel, most recently chief financial officer of EBay, as interim CEO. "The EBay board will undertake a search to identify the company's next CEO, and will consider internal and external candidates," EBay said.

The form and language of the announcement provide points 6 and 7.

In the announcement from EBay, which is based in San Jose, California, Devin Wenig receives praise, but no accolades for concrete and quantified successes, no explicit word of thanks, no word of regret and no good wishes.

EBay agreed to provide Wenig with the payments required to be made to him under his letter agreement with the company dated September 29, 2014 upon a termination without cause.

The constellation of all the aforementioned warning signals leaves little room for interpretation and indicates that Wenig was under enormous pressure to leave.
According to the Push-out Scoring System, 10 points are given when the manager was openly pushed out or when there is no reasonable doubt that the manager left the position under tremendous pressure.

Therefore, the Push-out Score is increased to 10.

EBay did not respond to a message seeking comment on the score.

On September 25, 2019, Wenig tweeted from his personal account: "In the past few weeks it became clear that I was not on the same page as my new board. Whenever that happens, its [sic] best for everyone to turn that page over."

The outgoing EBay CEO is in good company.

Aramark CEO Eric Foss (Push-out Score: 10) retired in August from his post at the food-services company amid pressure from Mantle Ridge.

Bed Bath & Beyond Inc. CEO Steven Temares (Push-out Score: 10) stepped down in May from his post at the retail-store company amid pressure from Legion Partners, Macellum Advisors and Ancora Advisors.

Newell Brands Inc. CEO Mike Polk (Push-out Score: 7) announced his retirement from his post at the household goods maker in March amid pressure from Starboard Value and Carl Icahn.

Symantec Corp. CEO Greg Clark (Push-out Score: 9) resigned in May from his post at the antivirus software maker amid pressure from Starboard Value.

Conduent Inc. CEO Ashok Vemuri (Push-out Score: 8) announced in May that he intends to step down from his post at the Xerox spin-off amid pressure from Carl Icahn.

Arconic Inc. CEO Chip Blankenship (Push-out Score: 9) left his post at the aluminum-sheet and parts maker in February amid pressure from Elliott Management.
Standpoint:

Is the CEO in the hot seat?

By Daniel Schaubert *

When the CEO is sitting firmly in the saddle, nobody can easily undermine his/her position. Strength grows with time.

A new CEO sometimes takes a hot seat, but the more years they have clocked up, the more stability they gain.

To take this fact into account, one of 10 points is reserved for the term of office in the Push-out Score analysis model of the research firm exechange.

The analysis model aims to measure deviations from the normal value, which can indicate pressure on the outgoing manager.

But what is normal?

According to exechange data, the average term of office of outgoing CEOs among the 3,000 largest US-listed companies is approximately seven years.

The span ranges from a few weeks to four decades.

According to prevailing opinion, terms of office between five and 10 years are considered ideal.

If the tenure ends after less than three years, then there is a breach of the norm for which there should be good reasons. Is the CEO ill? Is there a better career opportunity elsewhere? Are there private reasons?

If there is no convincing explanation, then one of the ten warning lights in the Push-out Score model lights up.

* The writer is the owner of the research firm exechange.
### Selected CEO departures

<table>
<thead>
<tr>
<th>Announced</th>
<th>Company</th>
<th>Name</th>
<th>Push-out Score *</th>
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<tbody>
<tr>
<td>16-Sep-19</td>
<td>SeaWorld Entertainment Inc.</td>
<td>Gus Antorcha</td>
<td>10</td>
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<td>11-Sep-19</td>
<td>DXC Technology Co.</td>
<td>Mike Lawrie</td>
<td>8</td>
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<td>6-Sep-19</td>
<td>Nucor Corp.</td>
<td>John Ferriola</td>
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<td>26-Aug-19</td>
<td>Aramark</td>
<td>Eric Foss</td>
<td>10</td>
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<td>14-Aug-19</td>
<td>E*Trade Financial Corp.</td>
<td>Karl Roessner</td>
<td>8</td>
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<td>12-Aug-19</td>
<td>Yum Brands Inc.</td>
<td>Greg Creed</td>
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<td>31-Jul-19</td>
<td>Molson Coors Brewing Co.</td>
<td>Mark Hunter</td>
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<td>22-Jul-19</td>
<td>TD Ameritrade Holding Corp.</td>
<td>Tim Hockey</td>
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<td>Paal Kibsgaard</td>
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<td>7-Jun-19</td>
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<td>Ed Heffernan</td>
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<td>5-Jun-19</td>
<td>Laboratory Corp. of America Holdings</td>
<td>Dave King</td>
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<td>Casey's General Stores Inc.</td>
<td>Terry Handley</td>
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<td>13-May-19</td>
<td>Bed Bath &amp; Beyond Inc.</td>
<td>Steven Temares</td>
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<td>9-May-19</td>
<td>Symantec Corp.</td>
<td>Greg Clark</td>
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<td>2-May-19</td>
<td>Fluor Corp.</td>
<td>David Seaton</td>
<td>8</td>
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<td>22-Apr-19</td>
<td>Kraft Heinz Co.</td>
<td>Bernardo Hees</td>
<td>7</td>
</tr>
<tr>
<td>18-Apr-19</td>
<td>Paccar Inc.</td>
<td>Ron Armstrong</td>
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<td>Celanese Corp.</td>
<td>Mark Rohr</td>
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<tr>
<td>28-Mar-19</td>
<td>Wells Fargo &amp; Co.</td>
<td>Tim Sloan</td>
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<tr>
<td>22-Mar-19</td>
<td>Pilgrim’s Pride Corp.</td>
<td>Bill Lovette</td>
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<tr>
<td>4-Mar-19</td>
<td>Eagle Materials Inc.</td>
<td>Dave Powers</td>
<td>0</td>
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<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>
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<tr>
<td>6-Feb-19</td>
<td>Arconic Inc.</td>
<td>Chip Blankenship</td>
<td>9</td>
</tr>
<tr>
<td>13-Jan-19</td>
<td>PG&amp;E Corp.</td>
<td>Geisha Williams</td>
<td>9</td>
</tr>
<tr>
<td>8-Jan-19</td>
<td>MetLife Inc.</td>
<td>Steve Kandarian</td>
<td>3</td>
</tr>
<tr>
<td>3-Jan-19</td>
<td>Owens Corning</td>
<td>Mike Thaman</td>
<td>5</td>
</tr>
<tr>
<td>10-Dec-18</td>
<td>Bunge Ltd.</td>
<td>Soren Schroder</td>
<td>7</td>
</tr>
<tr>
<td>7-Dec-18</td>
<td>Akorn Inc.</td>
<td>Raj Rai</td>
<td>10</td>
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<tr>
<td>5-Dec-18</td>
<td>Gannett Co.</td>
<td>Bob Dickey</td>
<td>6</td>
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<tr>
<td>12-Nov-18</td>
<td>Coty Inc.</td>
<td>Camillo Pane</td>
<td>9</td>
</tr>
<tr>
<td>1-Nov-18</td>
<td>McKesson Corp.</td>
<td>John Hammargren</td>
<td>4</td>
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<tr>
<td>1-Nov-18</td>
<td>Caesars Entertainment Corp.</td>
<td>Mark Frissora</td>
<td>10</td>
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<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>General Electric Co.</td>
<td>John Flannery</td>
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<tr>
<td>1-Oct-18</td>
<td>Pfizer Inc.</td>
<td>Ian Read</td>
<td>0</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: exechange
Exhibit 3

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

Average Push-out Score in the 12-month period from October 1, 2018 to September 30, 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 283 observations. Source: exechange
Exhibit 4

How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from October 1, 2018 to September 30, 2019 in the U.S. stock index Russell 3000

Legend: Around 5% 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 283 observations. Figures may not total to 100 due to rounding. Source: exchange news 10.2019
Exhibit 5

**Why they leave: CEO departure reasons**

Percentage distribution of departure reasons in corporate announcements in the 12-month period from October 1, 2018 to September 30, 2019 in the U.S. stock index Russell 3000

- No reason given: 30.7%
- "Other opportunities": 6.7%
- "Time with family": 2.8%
- "Personal reasons": 2.1%
- Conduct issues: 1.8%
- Disagreement: 1.4%
- Health: 1.8%
- Death: 0.4%
- Career change (*): 1.4%
- Non-business-related reasons: 0.7%
- Performance issues (**): 17.7%
- "Planned succession": 21.6%
- "The time is right": 11.0%

(*): if precise information about the new position is available immediately after the departure announcement; (**): if explicitly mentioned; Sample includes 283 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 12-month period from October 1, 2018 to September 30, 2019 in the U.S. stock index Russell 3000

Legend: Around 10% of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 283 observations. Figures may not total to 100 due to rounding. Source: exechange
When they go: CEO departure age

Percentage distribution in the 12-month period from October 1, 2018 to September 30, 2019 in the U.S. stock index Russell 3000

Legend: Around 6% of the CEOs who announced their departure within the above mentioned period were 64 years old. Sample includes 283 observations. Figures may not total to 100 due to rounding. Source: exechange
Exhibit 9

**Where the pressure on CEOs is high**

Average Push-out Scores by sector in the 12-month period from October 1, 2018 to September 30, 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 283 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.*

---

**Push-out Score™️**

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

Not at all likely

0 1 2 3 4 5 6 7 8 9 10

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 confident. Who is fired.
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 topkicks. Who tumbles.
Who is victim. Who is victor.
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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