

# exchange news

We determine the Push-out Score™

1.2022

## Choppy end of the year for CEOs

- **In December 2021, the pressure on CEOs was at a normal level**
- **In-depth analysis of 251 CEO departures in the U.S. from the past 12 months**

(exchange) -- January 1, 2022 -- Centene Corp., American Airlines Group Inc. and Norfolk Southern Corp. are among the U.S. companies that announced a leadership change in December 2021.

Clearly, not all top managers leave their posts entirely on their own initiative.

Research using the Push-out Score™ analysis model shows that at the end of the year, forced and voluntary CEO changes alternated.

In December 2021, the pressure on CEOs was at a normal level.

This is the result of a recent study by the research firm exchange, which has analyzed 251 CEO departures from companies in 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.

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 (see Exhibit 2). 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).

### CEO Push-out Index declines to 5

The CEO Push-out Index™, which is calculated monthly and reflects the average Push-out Score for CEO departures in the U.S., fell considerably from 5.8 in November 2021 to 5 in December 2021, settling exactly at the long-term average of 5 (see Exhibit 3).

The pressure on CEOs in the U.S. thus dropped from a significantly elevated level in November to a normal level in December.

Index values over 5 signal that apparently involuntary CEO departures predominate.

It was a choppy end of the year for CEOs. Departures under low, medium and high pressure alternated. In December 2021, the CEO Push-out Index, which can be seen as a barometer for measuring the pressure on chief executives, was influenced by forced turnover events and leadership changes with high Push-out Scores, including, among others, the announced CEO departures at Centene Corp., Everbridge Inc., Cerence Inc., Natus Medical Inc., Turning Point Brands Inc., Purple Innovation Inc. and Rayonier Advanced Materials Inc. Apparently voluntary leadership changes and

events with low to medium Push-out Scores had an equally strong impact on the index in December, among them the CEO changes at Norfolk Southern Corp., Darden Restaurants Inc., American Airlines Group Inc., Gatx Corp. and CareTrust REIT Inc.

Of the CEOs in the Russell 3000 index who announced their departure in December 2021, one in two stepped down under apparently strong pressure (i.e., with Push-out Scores above 5).

### **In-depth analysis of 251 CEO departures**

The CEO Push-out Index fluctuated between 4.3 and 6.4 in the 12-month period from January 1, 2021, to December 31, 2021.

The average Push-out Score for CEO departures in the 12-month period from January 1, 2021, to December 31, 2021, was 5.1, marginally above the long-term average of 5.

Around 45% 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, in the past 12 months, four in nine CEOs stepped down under high pressure.

In the 12-month period from January 1, 2021, to December 31, 2021, around 30.7% of the CEOs in the U.S. left their posts with no reason given in the announcement.

Around 6.4% departed "to pursue other opportunities," a statement that is sometimes taken as code for a firing.

Around 2.4% left for "personal reasons," and around 0.4% 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, 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, exexchange recorded the following CEO change in the Russell 3000 index that was openly linked in the departure announcement to alleged conduct issues.

- **AdaptHealth** Corp. Co-CEO Luke McGee resigned in June 2021. On April 13, 2021, the company had placed McGee on unpaid leave from his roles as Co-CEO and a director, stating: "AdaptHealth Corp. has learned that authorities in Denmark have formally charged Co-Chief Executive Officer Luke McGee with alleged tax fraud arising from certain past private activity."

Female CEOs have been found to be 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 5.4, somewhat above the average Push-out Score of 5.1 for outgoing male CEOs.

In the U.S., the average tenure of departing CEOs in the 12-month period from January 1, 2021, to December 31, 2021, was 10.3 years (see Exhibit 7).

The average CEO retirement age in the U.S. was 62.4 years (see Exhibit 8). The average CEO departure age (including CEOs who resigned, stepped down or retired) in the U.S. was 59.9 years.

Over the past 12 months, the average Push-out Scores in eight 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 real estate sector with 6.9, in the consumer staples sector with 6.2 and in the health care sector with 6.1 (see Exhibit 9).

The lowest Push-out Scores were determined in the utilities sector with 1, in the financials sector with 3.7 and in the industrials sector with 4.

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In the information technology sector, the average Push-out Score was 5.7, in the communication sector it was 5.6, in the materials sector it was 5.5, in the consumer discretionary sector it was 5.3, and in the energy sector it was 5.1.

These results were calculated from 251 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 exchange study monthly documents and analyzes CEO departure events of Russell 3000 companies, updating a database first introduced in 2017. For methodological reasons, the exchange study excludes departures of interim CEOs and departures related to change-in-control events following mergers or takeovers.

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://www.gsb.stanford.edu/faculty-research/working-papers/retired-or-fired-how-can-investors-tell-if-ceo-was-pressured-leave>

### **About exchange**

exchange 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 [exchange.com](http://exchange.com).

Exhibit 1

<b>Selected CEO departures</b>			
<b>Announced</b>	<b>Company</b>	<b>Name</b>	<b>Push-out Score *</b>
14-Dec-21	Centene Corp.	Michael Neidorff	6
7-Dec-21	American Airlines Group Inc.	Doug Parker	2
2-Dec-21	Norfolk Southern Corp.	Jim Squires	1
29-Nov-21	Twitter Inc.	Jack Dorsey	7
15-Nov-21	Splunk Inc.	Doug Merritt	8
9-Nov-21	Royal Caribbean Cruises Ltd.	Richard Fain	3
14-Oct-21	Howmet Aerospace Inc.	Tolga Oal	10
11-Oct-21	KKR & Co.	Henry Kravis	3
6-Oct-21	Citrix Systems Inc.	David Henshall	8
30-Sep-21	International Flavors & Fragrances Inc.	Andreas Fibig	5
2-Sep-21	Sunstone Hotel Investors Inc.	John Arabia	10
1-Sep-21	Sally Beauty Holdings Inc.	Chris Brickman	7
30-Aug-21	Teledyne Technologies Inc.	Al Pichelli	7
19-Aug-21	Johnson & Johnson	Alex Gorsky	4
5-Aug-21	Sunrun Inc.	Lynn Jurich	7
29-Jul-21	Procter & Gamble Co.	David Taylor	4
29-Jul-21	T. Rowe Price Group Inc.	Bill Stromberg	2
28-Jul-21	CyrusOne Inc.	Bruce Duncan	10
23-Jun-21	Corteva Inc.	Jim Collins	7
7-Jun-21	EOG Resources Inc.	Bill Thomas	1
4-Jun-21	Trane Technologies Plc	Mike Lamach	3
25-May-21	Oneok Inc.	Terry Spencer	5
13-May-21	Xcel Energy Inc.	Ben Fowke	0
5-May-21	Cerner Corp.	Brent Shafer	6
27-Apr-21	Chesapeake Energy Corp.	Doug Lawler	7
19-Apr-21	GameStop Corp.	George Sherman	10
1-Apr-21	Cintas Corp.	Scott Farmer	0
25-Mar-21	SunPower Corp.	Tom Werner	6
18-Mar-21	Peabody Energy Corp.	Glenn Kellow	10
11-Mar-21	Ulta Beauty Inc.	Mary Dillon	3
4-Feb-21	UnitedHealth Group Inc.	Dave Wichmann	6
2-Feb-21	Amazon.com Inc.	Jeff Bezos	1
1-Feb-21	Emerson Electric Co.	Dave Farr	2
13-Jan-21	Intel Corp.	Bob Swan	8
12-Jan-21	Synchrony Financial	Margaret Keane	4
5-Jan-21	Qualcomm Inc.	Steve Mollenkopf	5

\* 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: exexchange

## Exhibit 2

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

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.

The Push-out Score indicates how many of the following nine criteria are met: formal anomalies in the announcement, linguistic peculiarities, unusual age, short notice, short tenure, poor share price performance, non-transparent reason, challenging circumstances, succession issues. When the executive is openly pushed out (e.g., "terminated for cause"), then 10 points are given.

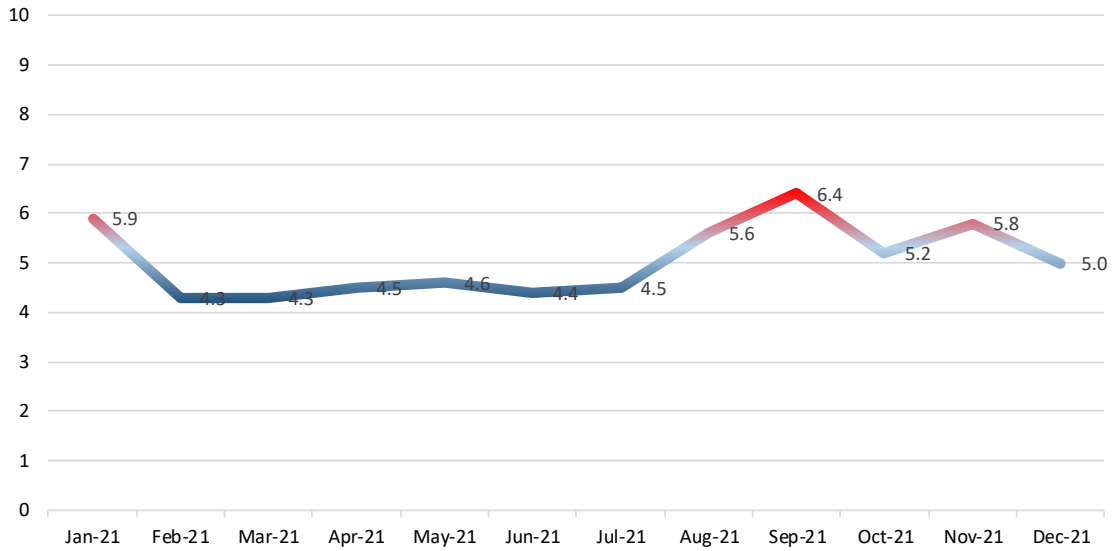
For example, a CEO in his early 50s is likely to receive a high score if he steps down at short notice after a short tenure without a comprehensible explanation and if the company's stock price is weak, the succession plan remains unclear and the board's praise of him is lukewarm.

<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

Exhibit 3

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

Average Push-out Score in the 12-month period from January 1, 2021, to December 31, 2021, in the U.S. stock index Russell 3000

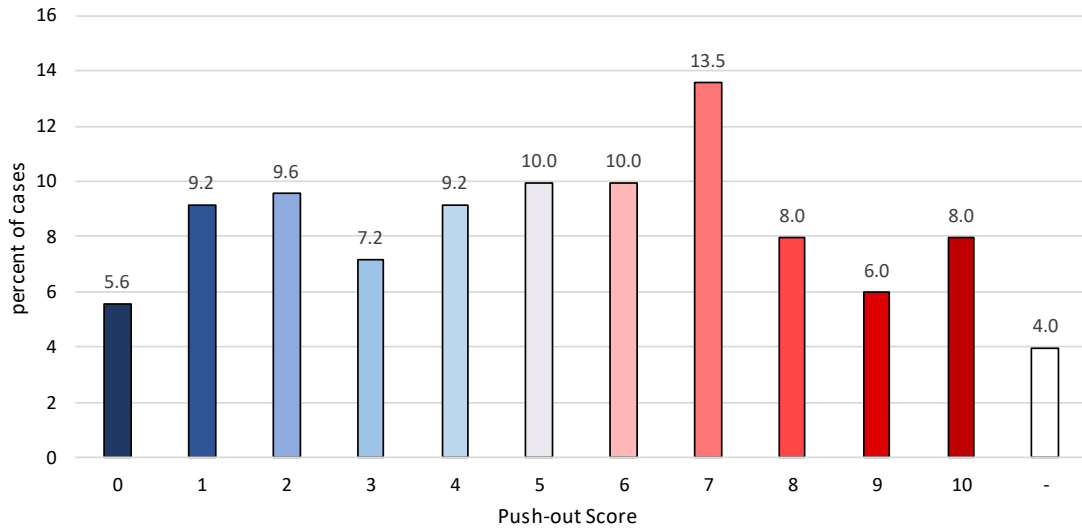


Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 251 observations. Source: exchange

Exhibit 4

### How the pressure on CEOs is distributed

Percentage distribution of Push-out Scores in the 12-month period from January 1, 2021, to December 31, 2021, in the U.S. stock index Russell 3000

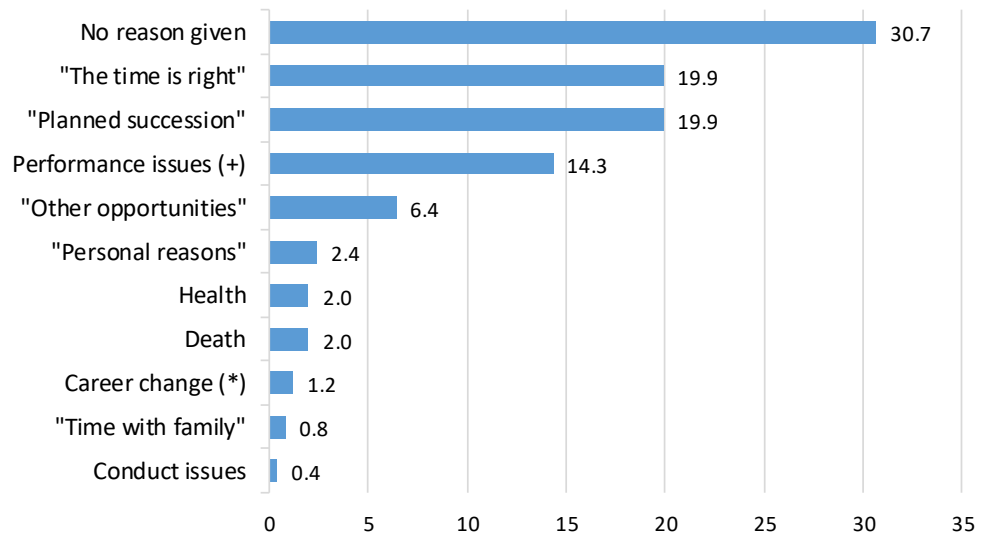


Legend: Around 5.6% of the CEOs received a Push-out Score of 0. Cases in which a score is not determined (e.g., death) are summarized under '-'. Sample includes 251 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 5

### Why they leave: CEO departure reasons

Percentage distribution of departure reasons in corporate announcements in the 12-month period from January 1, 2021, to December 31, 2021, in the U.S. stock index Russell 3000



(+) if explicitly mentioned or insinuated; (\*) if precise information about the new position is available immediately after the departure announcement; Sample includes 251 observations. Figures may not total to 100 due to rounding. Source: exchange



## 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."

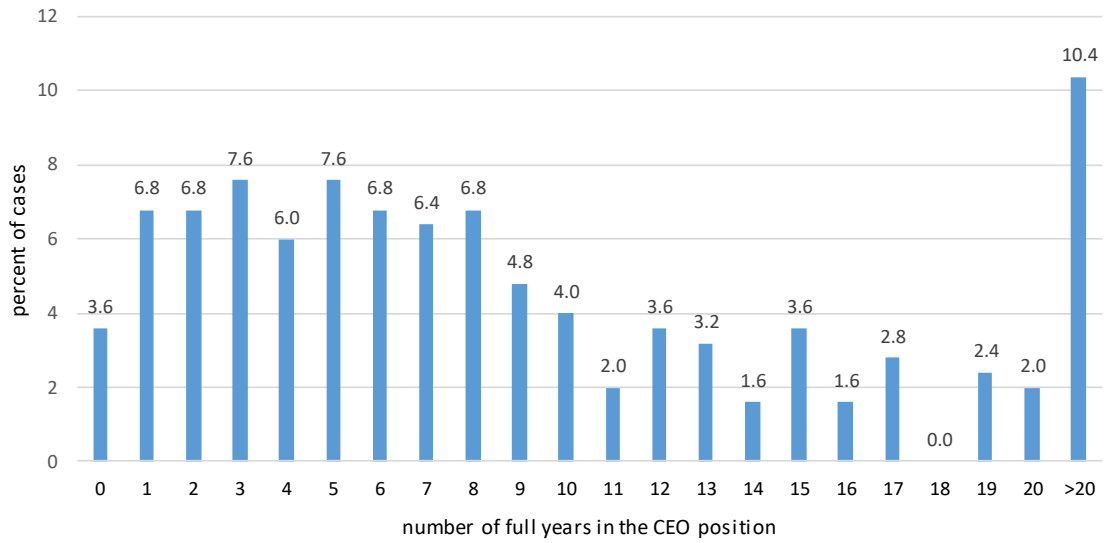
The SEC does not detail how specific that description must be.

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 January 1, 2021, to December 31, 2021, in the U.S. stock index Russell 3000

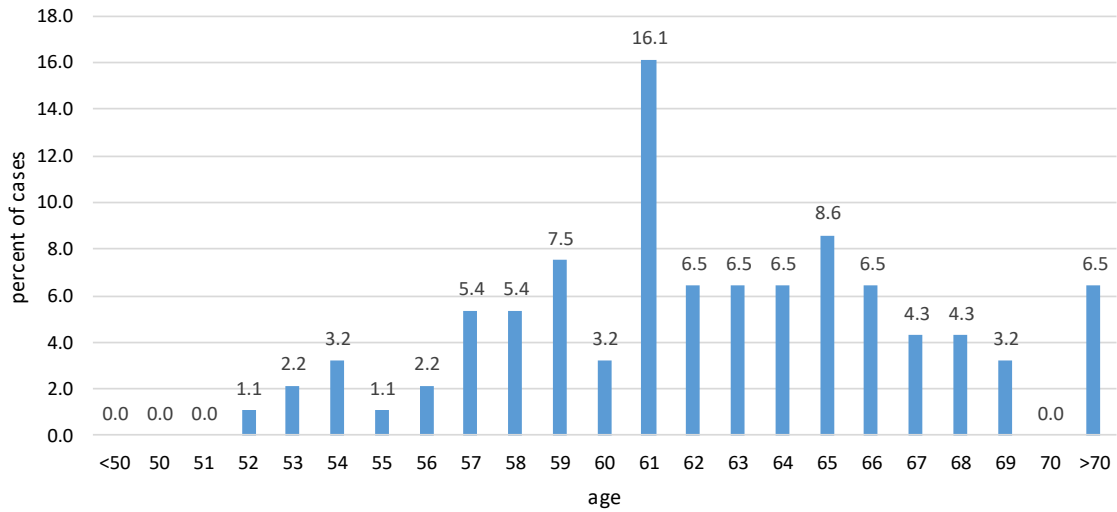


Legend: Around 6.8% of the CEOs who announced their departure within the above mentioned period left their post after 1 full year in the position. Sample includes 251 observations. Figures may not total to 100 due to rounding. Source: exchange

Exhibit 8

### When they come to rest: CEO retirement age

Percentage distribution in the 12-month period from January 1, 2021, to December 31, 2021, in the U.S. stock index Russell 3000

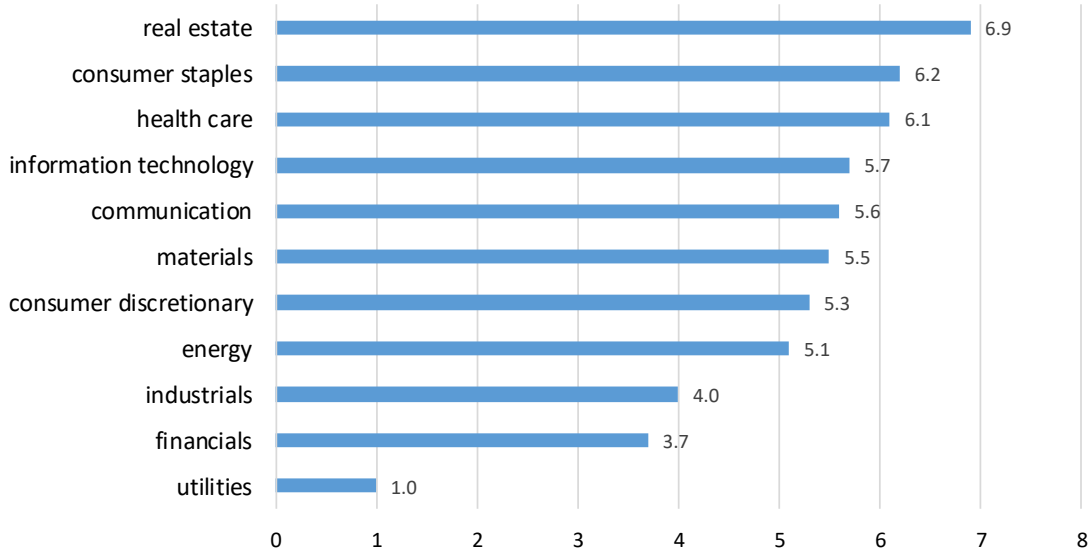


Legend: Around 6.5% of the CEOs who announced their retirement within the above mentioned period were 64 years old. Sample of retiring CEOs includes 93 observations. Figures may not total to 100 due to rounding. Source: exexchange

Exhibit 9

### Where the pressure on CEOs is high

Average Push-out Scores by sector in the 12-month period from January 1, 2021, to December 31, 2021, in the U.S. stock index Russell 3000



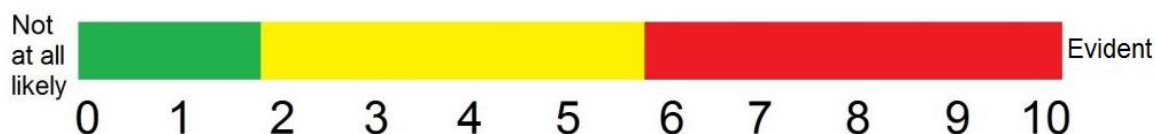
Legend: The Push-out Score on a scale of 0 to 10 is a measure of the pressure on the departing CEO. Values above 5 suggest strong pressure. Sample includes 251 observations. Source: exexchange

## **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 of push-out forces.

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

A Push-out Score of **6 to 9** suggests strong signs of 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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