exechange insight

We determine the Push-out Score™

Pushed out

?

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

Contents

Who leaves? Why? So what?


image: www.freeimages.co.uk

Who took the initiative?
What triggered the move?
Bad executive-firm match?
Reluctant or happy to leave?
Forced or voluntary departure?
Performance-induced change?
How intense was the pressure?
Who turned their back on whom?
More than one reason for the change?
And why now?

When a top manager leaves, many questions arise.

exechange gets closer to the answer.

Why did the top manager leave?

- Reported reasons for departures are often not reliable.
- Firms are not required to reveal the true reason for a departure.
- An announced retirement may simply be a euphemism for a firing.

Jump before being pushed

C-suite executives are rarely openly fired. They may resign "voluntarily" before being ousted and "jump before they are pushed."

A true leader always knows when it is time to leave and seizes the opportunity to inform the company's board of directors of "his decision to retire" before being pushed out in disgrace.

Forced to resign "voluntarily"

Managers may also be forced to resign "voluntarily" and are paid to leave quietly. An overtly forced departure could end up being more costly (including non-monetary costs).

Both the company and the executive in question have motives not to reveal forced turnovers as such.

Legal, monetary and ethical issues are involved.

And life is not always black and white. It is enriched by subtle nuances.

Clear and dubious

Some cases seem *pretty clear:*

- "terminated for cause,"
- "agreed to step down,"
- "stepped down at the request of the board."

Some cases remain *dubious:*

- "resigned to pursue other opportunities,"
- "stepped down to spend more time with his family,"
- "retired for personal reasons."

Irony, sarcasm and truth

And a statement full of irony, sarcasm and truth is not everyone's cup of tea:

"After four and a half intense and wonderful years as CEO of Groupon, I've decided that I'd like to spend more time with my family. Just kidding -- I was fired today."
(Groupon CEO Andrew Mason in March 2013 in a memo to staff)

Half-truth and lie

The division of truth, half-truth and lie may be blurred.

The truth may be bent or distorted. And a lie of omission is still a lie. This applies to corporate announcements, "people familiar with the matter" and "people familiar with the board's thinking."

- Everyone follows their own interests.
- There are many truths.
- And there is often more than one reason for a change.

Scoring system

Given all of the above, exechange works with an independently designed scoring system. It focuses on objective factors.

Our proprietary model was developed in close interaction with our readers.

Our readers include personnel professionals, global executive search and leadership consulting firms, executive coaching companies, management consulting firms, event-driven investment managers, corporate governance experts, private equity firms, banks and corporations.

Algorithms and a dash of gut feeling

The model is based on academic research on executive turnover, proprietary algorithms and a text corpus containing thousands of management changes.

We start with the hard facts and examine how the soft factors fit into the picture.

We use a rule-based and transparent process. To avoid bias, we work with a standardized set of data and flags.

Last but not least, we work with a dash of gut feeling, derived from many years of experience.

Push-out forces and pull-out forces

Whether stepped up, stepped down, stepped aside; whether quit, resigned, retired, replaced, demoted, praised away, seen to the door, shown the exit, helped out the door, ousted, pushed out, forced out, terminated, dismissed or fired:

Our model generally assumes that leaders who leave a position react to push-out forces and pull-out forces from within and outside.

If there were no driving forces, they would not move.

According to the exechange model, a management change may be triggered by

- push-out forces (e.g., board, activist shareholders),
- pull-out forces (e.g., prestigious new job, "an offer that can't be refused," leisure opportunities),
- a combination of push-out forces and pull-out forces (e.g., deteriorating working conditions in the current job and new career opportunities).

Reason and decisive reason

Many executives leave due to a combination of factors: pressure, the need to make room for others and a desire to take on new tasks.

The company may highlight one reason for the change rather than another. But what is the decisive reason?

Was the decision *"to pursue other opportunities"* primarily triggered by

- unsatisfactory work performance,
- lack of skills and experience or
- misconduct (e.g., conflict of interest, insubordination, sexual harassment, fighting, bullying, stalking or other violent or threatening behavior)?

Is the resignation actually a *resignation in lieu of termination*?

In any case, the amount of force has to be strong enough to make the leader leave the current position.

Partially forced and partially voluntary

Even if the driving forces may not be visible, a combination of certain signs may indicate them.

In some cases, we spot no sign of push-out forces. In some cases, we spot seven or more.

Seven signs of push-out forces definitely indicate a severe earthquake.

Turnover may be partially forced and partially voluntary. Managers may be pushed and pulled at the same time (by people and/or events). We want to take that into account.

"One sign alone is not a sign.
A sign is a sign only as part of a context of signs."
(Günther Witzany)

Quantity, quality and constellation

The quantity, quality and constellation of the signs enable a more sophisticated view of a complex situation and enable our highly professional readers to build up a picture for themselves.

The signs should be seen in the context of the entire situation. For a meaningful result, signs of push-out forces and signs of pull-out forces have to be considered together.

A relatively high quantity of signs of push-out forces does not necessarily indicate a forced turnover. It indicates a high probability that the manager felt pressure to leave the position.

Direct or indirect pressure

There are many ways to put direct or indirect pressure on an executive. And sometimes no pressure is needed to make a leader leave the position.

Request, suggest, discuss

- Did the chairman explicitly request the resignation?
- Did the chairman suggest the executive "might want to resign"?
- Did the executive "decide" to step down after a "discussion" with the chairman?

Demoralize, isolate, wear down

- Was the executive demoralized to provoke a resignation?
- Was the executive advised to no longer have the support of the board and to be isolated?
- Did the board and the executive "agree" to part ways "amicably" because the manager was worn down?

Quit, throw in the towel, turn their back

- Did the executive decide to quit on their own volition in times of high pressure and stress ("I can do without that")?
- Did the board even try to persuade the executive not to throw in the towel in difficult times ("leave the sinking ship")?
- Did the executive turn their back on the company because of better opportunities elsewhere ("I deserve better than this")?

External and internal

Who can say it? "People familiar with the matter" may give answers. But are they always right? We prefer to stick to the facts. We watch out for

- external factors (e.g., activist shareholders, new career opportunities, family) and

- internal factors (e.g., board, performance issues, desire for change).

Hard and soft

We gather as much information as possible. We ask simple and difficult questions. We consider

- hard indicators for push-out forces and pull-out forces (e.g., age, tenure, time between announcement and departure, share price development) and
- soft indicators (e.g., language, structure and form of the announcement).

Visible and invisible

We focus on

- visible signs (e.g., concrete future plans) and
- invisible signs (e.g., gaps, omissions).

Limiting speculation

"Where information is missing, rumors grow."
(Alberto Moravia)

We prefer not to speculate. We indicate it when a company opens the door to speculation and check to what extent speculation may be limited.

Empty phrases and false pathos

We look to the left and look to the right to see who is right and who is left. Language is imprecise. Everything can be ambiguous.

The best way to expose empty phrases and false pathos is to read carefully and to pay attention to the difference between what people say and what they do.

Standardized approach

We tell well-informed and fair stories when we sample a variety of perspectives.

To avoid bias, we employ a standardized approach to assess a management change.

Bias can be created by the way facts are selected, arranged and presented. Therefore, we work with a standardized structure and proprietary natural language generation (NLG) tools.

We transform unstructured data into structured data. We watch out for patterns and draw our conclusions from hundreds of individual data points.

Clear indicators and seemingly trivial observations

We consider clear indicators. Facts tell their own story. The fact that the CFO leaves the position effective immediately sometimes tells enough.

We identify inconsistencies and weak spots. We also point to seemingly trivial observations.

- The chairman showers the newly appointed CEO with praise and does not say a word about the departing CEO?

- The departing CEO pats himself on the back and the chairman does not mention his successes at all?
- The departing CEO receives many warm words of appreciation and no accolades for concrete successes?

It may be noteworthy. What is not said may be more significant than what is said.

Wording is important

The devil is in the details, and the exact wording may be important.

- We wish him **the best of luck** in his future endeavors.
- We wish him **success** in his future endeavors.
- We wish him **continued success** in his future endeavors.

The nuance can make the difference. What looks alike turns out not to be the same.

Is it just a boilerplate phrase randomly and carelessly selected from prepared text modules?

Maybe. But corporate announcements often go through long coordination meetings beforehand, where every single word gets wrestled with until there is an outcome:

Disagreement, material disagreement or dispute?

- Mr. Johnson's resignation was not due to **any disagreement** with the Company.
- Mr. Johnson's resignation was not due to **any *material* disagreement** with the Company.
- Mr. Johnson's resignation was not due to **any disagreement or dispute** with the Company.

Not related to any disagreement, but related to what?

- Mr. Johnson's resignation was not related to any disagreement with the Company on **any matter relating to the Company's operations, policies or practices**.
- Mr. Johnson's resignation was not related to any disagreement with the Company ***including* any matters relating to the Company's operations, policies or practices**.
- Mr. Johnson's resignation was not related to any disagreement with the Company on any matter relating to the Company's operations, policies or practices, **but rather was for family reasons.**

Advised, confirmed or explained?

- Mr. Johnson **has advised the Company that** his decision to resign was not due to any disagreement with the Company on any matter relating to its operations, policies or practices.
- Mr. Johnson **has confirmed that** his decision to resign was not due to any disagreement with the Company on any matter relating to its operations, policies or practices.
- Mr. Johnson **explained to the Board of Directors at its meeting this week** that he is leaving in order to return to Southern California and that there is no disagreement with the Company with respect to any matter.

Sign of dubiousness

Is such a statement a confirmation or a denial?

Or is it a "non-denial denial"?

And should an unsolicited reassurance be considered as a first sign of dubiousness?

To understand better what is happening, it is helpful to turn things upside down, inside out, take them apart, look inside and put them back together again.

Who speaks, who is silent

Who is in the driver's seat regarding the communication of the change?

We pay special attention to what the departing leader says.

Every word counts. Therefore, we count words.

The first verse of "The Star-Spangled Banner," the national anthem of the United States of America, contains 80 words (not including the title).

Some managers say less than 20 words when they leave, some say more than 200 words, some say nothing at all.

If the outgoing manager gets no chance to speak or doesn't want to take advantage of the opportunity to say something, it may be an eloquent silence.

Words can hurt. Silence can hurt even more.

Poisoned and ambiguous praise

Much can be said in an indirect and ambiguous way. Phrases may contain hidden information.

"He has the skill set that will help propel the company to its next stage": These words of praise for the successor can be interpreted as:

- a work order ("propel the company"),
- positive reinforcement to encourage good behavior ("help") and
- hidden criticism or humiliation of the departing executive (who might be considered incapable of propelling the company to its next stage).

Decoding the CEO code

Reading between the lines?

The only thing between the lines is empty space.

All it really takes is reading the lines carefully and decoding corporate jargon, management speak and the CEO code.

The challenge is to interpret mixed and noisy signals in corporate announcements.

"In the right key one can say anything. In the wrong key, nothing:
the only delicate part is the establishment of the key."
(George Bernard Shaw)

Dropping hints, hiding details

Management changes are important and critical events. Companies often take advantage of the opportunity to combine the event with a message or a moral, particularly in the case of alleged misbehavior or poor performance.

- Is the company eager to give **broad hints** regarding the departure?
- Does the company **drop a hint**?
- Does the company try to **"hang someone publicly"** as a deterrent?
- Does the company obviously try to **hide something**?

Why now?

"Now is the right time for new leadership."

Why? And why exactly now? Never change a winning team?

- Does the company need a CEO with a different skillset?
- Is the chemistry between the chairman and the CEO not right?
- Did the CEO's quality fall below the expected quality of a replacement?
- Does the CEO feel it is the right time to go because they want to leave on their own terms?
- Is a scapegoat or a sacrificial lamb needed?

Enhance execution? Drive change? Continuing evolution?

What is the reason for the management change? The welcome address in the corporate announcement often provides valuable insight.

- Is the successor expected to "enhance execution, better capitalize on the market opportunities and drive the company to profitable growth"?
- Is the successor characterized as "a pragmatic and tenacious leader who brings strong experience in driving change"?
- Or was the board's decision to name the successor "based on how his skills align with the company's strategic direction and continuing evolution"?

Succession: Insider or outsider?

In general, insiders are best when a company is performing well.

Outsiders do better when an organization is in crisis.

The leadership challenges presented by a company in trouble are fundamentally different from those faced by a stable organization.

Outsiders also have more freedom to implement changes. And they bring a fresh perspective.

Form and content

We have a special passion for form and style.

Form expresses the attitude to the content.

"Form is the highest content."
(Christian Friedrich Hebbel)

Is the management change:

- buried deep within a big announcement?
- communicated in an announcement consisting only of one sentence?
- announced in an extremely formal and impersonal news release?

Appropriate recognition of the outgoing top manager is important. It is not just a question of good or bad style. Failing to show appreciation for an outgoing executive's service risks alienating their supporters on the board and in the company.

Pomp or silence

Is it a departure with great pomp and ceremony?
Or does the company silently remove the manager?

Does the departing executive receive accolades, praise, thanks and good wishes, and perhaps even words of regret? Will the outgoing executive be missed?

We analyze form and content.

- Are the phrases sincere or hypocritical?
- Are the words thoughtfully chosen?
- Are they a patchwork of carelessly compiled empty phrases?

"It is of the utmost necessity to make words correct.
If words are not correct then speech is incoherent,
if speech is incoherent then actions will not turn out right."
(Confucius)

Are the words poisoned?

- Does the executive receive *accolades for important achievements*?
- Does the company offer *praise for trivial accomplishments*?
- Does the manager receive *thanks for clearing the way*?

Does the company memorialize the legacy of the departing leader?
Or does someone try to wipe out the remembrance of the outgoing executive?

Honor and honorarium

Some fight for honor, some fight for money.

- Money matters.
- Money decides.
- Money shows appreciation.

We follow the money. Current and future salary, golden hello, golden handshake and golden parachute tell an interesting story.

Deep insight and quick overview

At the end of our analysis, we assemble hundreds of details of an overall picture. To keep it clear, we always use a distinct structure and a synoptic table.

Our first priority is to help our readers see what they need to know.

Our second priority is to show our readers what we see.

We provide details to give a deep insight and summarized information to give a quick overview.

Bold and humble

We know our method will never be perfect. A system based on quantification of non-quantifiable factors is by its nature never completely error-free.

"Not everything that counts can be counted;
and not everything that can be counted counts."
(Albert Einstein)

We always strive to do better. Our model is constantly improved and updated to deliver the best possible results.

In the meantime, we are bold enough to make assessments.

We are humble enough to know that we will never know the whole story, let alone the whole truth.

Many truths

One person's subjective truth may not be another's truth. There are many truths we can tell.

When all is said and done, everything may seem clear.

But things are not always what they seem.

We know what people say and what they do. We don't know what they think, even when we see them being pushed out the door:

- "You have every right to fire me. I deserve it."
- "I was just about to leave anyway."
- "I'm sorry, but if you want me gone, you will have to fire me."

Let us know what you think.

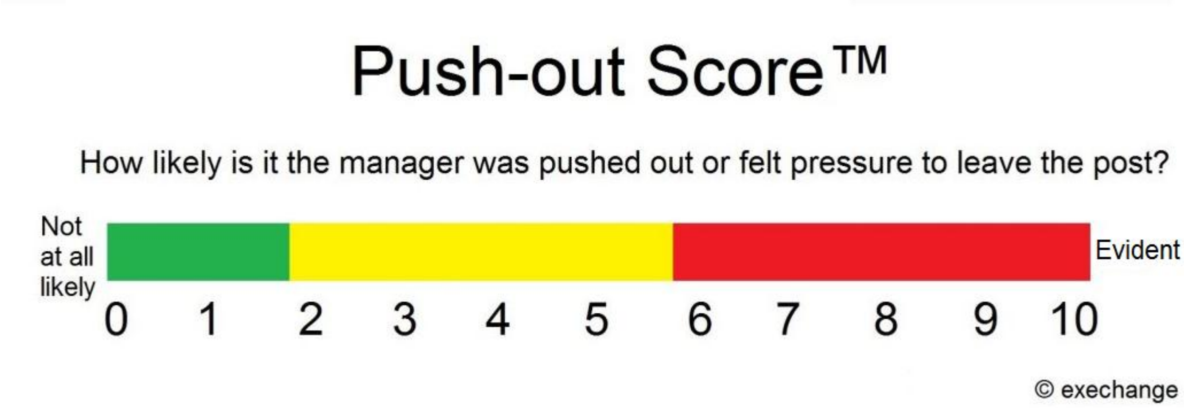
We are open to your comments, suggestions, ideas and criticism.

Write to editors@exechange.com

Push-out Score™

The number you need to know

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



The problem

C-suite executives are rarely openly fired. They may resign "voluntarily" before being ousted and "jump before they are pushed."

The analysis

We can attempt to arrive at a reasonable assessment of the likelihood of a forced departure by systematically evaluating observable evidence. That's why exechange developed the Push-out Score analysis model, which helps in gaining more clarity.

The solution

The Push-out Score on a scale of 0 to 10 gauges the likelihood that a manager was pushed out or felt pressure to leave the position. A Push-out Score of 0 indicates that it is "not at all" likely that the executive was pressured to leave, and a score of 10 indicates that an involuntary departure is "evident" -- for example, in the event of termination for cause or after an open dispute.

The Push-out Score draws on publicly available data along nine dimensions, including the form and language of the announcement, the age and tenure of the departing leader, the reason given, the length of time between the announcement and the departure, the share price performance and the succession plan.

How the scoring works

The Push-out Scoring System is based on academic research on executive turnover, proprietary algorithms and a text corpus containing thousands of management changes.

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

To avoid bias, we work with a standardized set of data and flags.

10 points: Openly pushed out

When the manager is openly pushed out (e.g., "terminated for cause") or when there is no reasonable 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.

Form of the announcement (1)

Mere formality?

Our analysis starts with the form of the announcement. Form expresses the attitude to the content. The form should always be appropriate for the move. Form also means to align with etiquette and customs.

There may be a reason for breaking the norm. If the management change is buried deep within a big news release, communicated in a statement consisting only of one sentence or announced in an extremely formal and impersonal news release, it may cast a bad light on the event.

Language in the announcement (2)

Nothing but warm words?

Wording is important. Nuances can make the difference. Corporate announcements often go through long coordination meetings beforehand, where every single word gets wrestled with until there is an outcome. The result is many warm words.

The devil is in the details. Does the departing executive receive accolades for concrete successes, praise, thanks and good wishes -- and perhaps even words of regret? Does the company silently remove the manager?

The challenge is to decode corporate speak. The highly focused look with a trained eye recognizes small and yet important details, such as poisoned praise or hidden criticism.

Age (3)

Time to say goodbye?

Retirement at age 60 is considered normal.

Retirement at age 52 raises questions.

Notice period (4)

Timely notice?

Investors prefer it when companies announce management changes with plenty of notice in advance.

The fact that the CFO leaves the position effective immediately sometimes tells enough.

Tenure (5)

Firmly in the saddle?

Strength grows with time. Protection against push-out forces increases with a long tenure. A long tenure enables a manager to surround himself with supporters.

With a short tenure, the executive chair may be a hot seat.

Share price development (6)

Satisfactory performance?

Top executives are measured by a number of things. The performance of a company's stock is an important indicator.

A poor share price development increases the pressure for change. And sometimes a scapegoat or a sacrificial lamb is sought.

Official reason given (7)

Plausible reason?

The official reason given for the management change should be comprehensible.

If no reason is given or the manager leaves "to pursue other opportunities," "to spend more time with his family" or "for personal reasons," questions arise.

Circumstances of the management change (8)

Clean desk?

The best time to hand over the reins is when everything is at its peak.

Profit warnings, class action lawsuits or pressure from activist shareholders indicate tough times.

Succession (9)

Slick baton change?

Our analysis closes with the succession. It guarantees continuity when a vacant post is filled internally and in an orderly manner.

The fact that a successor is brought in from outside suggests that the board may seek to stimulate change with fresh ideas and new initiatives. When no permanent successor is available or the position is eliminated, it is a sign of push-out forces.

***

The Push-out Score was featured by The Wall Street Journal, Harvard Business Review, The Times and Bloomberg.

Do it yourself

Ready to start?

You can either do it yourself or let us do the hard work for you.

The Push-out Scoring System™ is an open-source method. "Push-out Score" and "Push-out Scoring System" are trademarks belonging to exechange.

We encourage everyone to use theories and tools associated with the Push-out Score freely. We do require that when they are used publicly or for commercial purposes, they are used under license.

How to assess

How to assess the Push-out Score™: a 10-step guide

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

To assess the Push-out Score, you will need

- the announcement of the management change (e.g., press release, regulatory filing),
- biographical information (departing manager and successor),
- stock performance data (relative to relevant benchmark) and
- information on circumstances of the management change (e.g., recent performance, outlook revisions).

To determine the Push-out Score, we conduct a meticulous analysis of the immediate and wider circumstances of the management change and, in addition, a formal and textual analysis of the management-change announcement and the corresponding regulatory filing.

There are no rigid rules. Assessments are made on a case-by-case basis.

To give three examples: An age of 58, a tenure of two years or a relatively poor share price performance may be considered appropriate or inappropriate, depending on the situation.

To avoid bias, we work with a standardized set of data and flags.

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

If the reason for the departure is health-related or death, a Push-out Score is not determined.

When a company convincingly explains that the departure is due to personal or business reasons that are unrelated to the firm's activities and the manager obviously felt no pressure to leave the position, a Push-out Score is not determined.

Step 1: Form

Is the form of the announcement appropriate to the content?

Yes: 0 points
No: 1 point

Step 2: Language

Is the language in the announcement free of signs of pressure on the departing manager?

Yes: 0 points
No: 1 point

Step 3: Age

Is the age of the departing manager appropriate to the move?

Yes: 0 points
No: 1 point

Step 4: Notice period

Is the management change announced early?

Yes: 0 points
No: 1 point

Step 5: Tenure

Is the tenure of the departing manager appropriate?

Yes: 0 points
No: 1 point

Step 6: Share price

Is the share price development appropriate in relation to the relevant benchmark?

Yes: 0 points
No: 1 point

Step 7: Official reason given

Is the official reason provided appropriate and understandable?

Yes: 0 points
No: 1 point

Step 8: Circumstances

Are the circumstances of the management change positive?

Yes: 0 points
No: 1 point

Step 9: Succession

Is the succession a sign of continuity?

Yes: 0 points
No: 1 point

Step 10: Add up the points.

Depending on your personal judgment, preferences and criteria, the Push-out Score you calculate can be different from the Push-out Score determined by exechange.

The Push-out Scoring System™ is an open-source method. "Push-out Score" and "Push-out Scoring System" are trademarks belonging to exechange.

We encourage everyone to use theories and tools associated with the Push-out Score freely. We do require that when they are used publicly or for commercial purposes, they are used under license.

FAQ

Frequently Asked Questions

Does a relatively high Push-out Score™ mean that the manager was pushed out?
The Push-out Score gauges the likelihood that a manager was pushed out or felt pressure to leave the position. When a manager is not openly pushed out, there is no totally reliable way of classifying the management change as forced or voluntary.

Is a relatively high Push-out Score bad?
The Push-out Score is neither good nor bad. Interpretation is always a matter of perspective. A relatively high Push-out Score indicates a high likelihood that the manager was pushed out or may have felt relatively high pressure to leave the position -- nothing more and nothing less. At the same time, a relatively high Push-out Score may indicate that the manager has navigated the toughest waters and was able to withstand enormous pressure. Even the most experienced captain in the world is powerless against the fury of the sea.

Is the Push-out Score a measure of strength or weakness of the manager?
We score events. We don't score people. The Push-out Score is not intended to be seen as a measure of strength or weakness of the manager. The Push-out Score must always be seen in the context of the whole situation.

The Push-out Score is high and the management change is an honorable departure. Isn't that an apparent contradiction?
There is not always a correlation between Push-out Score and type of departure. A high Push-out Score and an honorable departure are not mutually exclusive, perfectly possible and not all that uncommon.

The Push-out Score is relatively high, and the manager was definitely not pushed out. The board even tried to persuade the manager to stay. How does that fit together?
A relatively high Push-out Score indicates a high likelihood that the manager was pushed out or may have felt relatively high pressure to leave the position. It does not indicate that a manager was actually pushed out. A manager may decide to quit on their own volition in times of high pressure and stress, depending on opportunities elsewhere. A decision to leave the post may also be completely independent of push-out forces. Correlation does not imply causation.

The Push-out Score indicates a high likelihood for a forced turnover, but the manager takes a superior position elsewhere. How does that fit together?
A management change may be triggered by push-out forces (e.g., board, activist shareholders), pull-out forces (e.g., new career opportunities, "an offer that can't be refused") or a combination of push-out forces and pull-out forces. For a meaningful result, signs of push-out forces and signs of pull-out forces should be considered together.

The Push-out Score is 1. What does that mean?
In our opinion, one sign alone is not significant.

Why is the Push-out Scoring System™ based on the nine parameters Form, Language, Age, Notice period, Tenure, Share price, Official reason, Circumstances and Succession?
Form, Language, Age, Notice period, Tenure, Share price, Official reason, Circumstances and Succession are proxy variables. A proxy variable is an easily measurable variable that is used in place of a variable that cannot be measured or is difficult to measure. Push-out forces are unobservable and immeasurable. The Push-out Scoring System was developed in close interaction with our highly professional readers. It is a proven method designed to provide the foundation for pragmatic and

unbiased information and to enhance transparency. If you prefer, you can also work with different parameters.

The Push-out Scoring System is based on nine parameters, each with the same weight. Shouldn't the scores be weighted differently for the individual criteria?
Keep it simple. As far as our experience goes, it is expedient to give equal importance to the nine parameters Form, Language, Age, Notice period, Tenure, Share price, Official reason, Circumstances and Succession. However, if you prefer to weight the nine parameters individually, you can do it.

Why is the Push-out Scoring System an open-source method?
We decided to make the Push-out Scoring System an open system because our readers prefer glass boxes over black boxes, and open-source methods benefit from outside perspective and creativity.

What happens if someone does not agree with the Push-out Score and other assessments from exechange?
Our principle is the following: Facts are holy, rumors are deadly, opinions are ours. We correct misspelled names or incorrect data immediately. Opinions are a matter of perspective. Freedom of opinion is important, and opinion is not negotiable. Our highly professional readers and clients appreciate well-founded opinions. We always back up assessments and sentiments with facts. Even then, our opinion remains subjective and sometimes a matter of taste. We are aware that not everyone values our opinion. Considered from different perspectives, assessments vary. Our proven method and rigorous research provide the foundation for unbiased information. Our code of conduct commits us to maintain high ethical standards in our research and in all business practices. exechange is an independent, privately-held business information specialist. We are committed to helping our customers make prudent decisions, reduce risk and benefit from enhanced transparency.

What can a manager do in the case of disagreement with the assessments from exechange?
We are bold enough to make assessments, and we stand by our rigorous and meticulous research. We are humble enough to know we will never know the whole story, let alone the whole truth. In our view, there is no such thing as the whole truth. There are many truths we can tell. In the case of disagreement, we offer the manager an opportunity to give us an interview. An interview gives the manager a chance to comment and gives our readers and clients a broader perspective. We strive for accuracy in our reporting. Suggestions and comments from our readers are always welcome.

I am interested in an assessment of a special case. Can you help?
Yes, we can. Please contact us at editors@exechange.com and we will submit an individual offer based on your specific requirements.

If you have any other questions, please contact us at editors@exechange.com.

History

Why and how did we develop the Push-out Score™?

When a top manager leaves the position, a crucial question arises:

Is it a forced or a voluntary departure?

The answer can be difficult. C-suite executives are rarely openly fired. And the problem starts with the definition of "forced" and "voluntary."

Is it a voluntary departure when the CEO, according to the corporate announcement, "provided notice to the Company that he will voluntarily retire," whereas there is strong reason to believe that the manager took advantage of the opportunity to resign before being pushed out in disgrace?

The difficulty is that both the company (namely, the board) and the executive in question have motives not to reveal forced turnovers as such. Board and management are, within certain limits, not necessarily required to reveal the reason for a departure. Therefore, they will defend their own interests.

The result is unsatisfactory for many stakeholders of the company, including investors, creditors, customers, employees and the public. They need to know what happened. And they have legitimate interests in learning what is going on. It also affects them.

"People familiar with the matter" and "people familiar with the board's thinking" may give additional (and alternative) facts or complex answers to simple questions to influence media coverage. They may provide valuable information. But anonymous sources that cannot be held liable for their statements must be considered with caution. They are not primarily committed to the truth. First and foremost, they follow their own (or their clients') interest and may be inclined to give biased information.

For academic researchers, a common categorization procedure is to use some variant of the Parrino (1997) algorithm to classify CEO turnover. This rule-based method allows a relatively rough classification: voluntary or forced. The risk of misclassification is relatively high.

Some years ago, Daniel Schauber, a veteran financial journalist, started a research project to determine whether a new approach, inspired by the push and pull factors theory in migration research, would prove more fruitful.

The central question of the research project was:

On a scale of 0 to 10, how likely is it the manager was pushed out or felt pressure to leave the post?

The Push-out Score™ would give the answer.

The Push-out Score was developed in an inductive way and in close interaction with experts -- among them personnel professionals, executive search firms, investors and corporate governance experts. To develop the Push-out Score, we used a text corpus containing thousands of management-change announcements and regulatory filings from the previous 10 years.

Ultimately, nine criteria turned out to be particularly suitable to determine the likelihood of a forced turnover:

1. Form of the management-change announcement
2. Language in the announcement
3. Age of the departing executive
4. Notice period (time between announcement and departure)
5. Tenure
6. Share price development
7. Official reason given
8. Circumstances of the management change (e.g., firm and industry performance, peer group performance, severance payment),
9. Succession (e.g., external vs. internal, permanent vs. interim solution).

The algorithm-controlled model was introduced in 2016 on the website exechange.com and quickly gained attention in the United States and the United Kingdom.

Corporate governance experts from Stanford University (David Larcker and Brian Tayan) and Harvard University (Ian Gow) have investigated exechange'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/

"[A] company's stock price volatility increases with increasing Push-out Score. That is, investors react in a fairly muted fashion to CEO and CFO departures that receive a low Push-out Score but react more dramatically -- both positively and negatively -- as Push-out Score increases," the researchers wrote and concluded: "A positive reaction might indicate that shareholders approve of a decision to push out the CEO because of the potential for operational improvements or future sale of the company. … On the other hand, a negative reaction to a high Push-out Score situation might indicate that shareholders view a forced termination as evidence of deeper operating, financial, or governance problems, or that shareholders disapprove of the decision to fire the CEO."

On August 14, 2017, *The Wall Street Journal* featured the Push-out Score on the front page. See https://www.wsj.com/articles/did-the-ceo-actually-get-fired-theres-a-decoder-for-that-1502645422/

In 2022, David Larcker, Brian Tayan (both of Stanford University) and Edward Watts (of Yale University) analyzed a sample of 1,399 CEO turnover events at Russell 3000 companies over the five-year period 2017 to 2021, including Push-out Scores. The researchers concluded: "We find a high association between stock-price performance and the likelihood that a CEO is pressured to leave. This indicates that Push-Out Scores provide informative assessments of whether a termination event is involuntary. It also indicates that boards might be more likely to hold CEOs accountable for performance than prior studies suggest." See https://www.gsb.stanford.edu/faculty-research/publications/firing-hiring-ceo-what-does-ceo-turnover-data-tell-us-about/

Examples

So how is the Push-out Score™ actually determined? 10 real, anonymized examples:

Example 1

On April 7, Company X publishes a corporate announcement consisting of four pages (1. Form: appropriate, 0 points).

In warm words, including accolades for concrete successes (2. Language: appropriate, 0 points),

the Chairman of Company X announces that its CEO, age 65 (3. Age: appropriate, 0 points),

"has shared his intention to retire as Chief Executive Officer of the Company on October 31" (4. Notice period: more than six months, appropriate, 0 points).

The CEO has been on the job for 10 years (5. Tenure: appropriate, 0 points).

The share price has more than tripled over the past eight years and recently reached an all-time high (6. Share price development: strong, 0 points).

In the announcement, the Chairman explains the management change as follows: "This planned succession will provide continuity." (7. Official reason given: understandable, 0 points).

Company X marks its 200th anniversary this year and has been successful and free of scandals in the short, medium and long term (8. Circumstances: good, 0 points).

Company X appoints the long-standing Chief Operating Officer, age 45, as the successor, effective November 1, to correspond with the start of the new fiscal year (9. Succession: sign of continuity, 0 points).

Push-out Score: 0

It is not at all likely that the CEO was pushed out or felt pressure to leave the post. This is apparently a carefully planned generational change.

Example 2

On January 31, Company X publishes a corporate announcement with the title "Company X Reports Fourth Quarter and Full Year Results; Announces Outlook." Buried on page 3 in the 11-page announcement (1. Form: not appropriate, 1 point),

Company X says in icy words (2. Language: not appropriate, 1 point)

that the CFO, age 55 (3. Age: not appropriate, 1 point),

"has decided to leave the company," effective in three days (4. Notice period: not appropriate, 1 point).

Information about the future plans of the manager is not immediately available. The outgoing CFO has been on the job for 12 months (5. Tenure: not appropriate, 1 point).

12 months ago, the share price was close to its all-time high. Over the past 12 months, the share price has declined sharply (6. Share price development: poor, 1 point).

In the announcement, the company explains the management change as follows: The CFO "has decided to leave the company due to personal reasons" (7. Official reason given: not understandable, 1 point).

In the announcement, Company X releases weaker-than-expected fourth-quarter results and cuts its outlook (8. Circumstances: bad, 1 point).

A permanent successor is not available. The current Senior Vice President, Corporate Finance, is named acting CFO (9. Succession: bumpy: 1 point).

Push-out Score: 9

It is extremely likely that the CFO was pushed out. There is every indication that the manager was ousted due to bad performance, but it is ultimately not provable.

Example 3

On February 2, Company X publishes a corporate announcement with the title "Y to Retire as CEO of Company X," consisting of nine sentences (1. Form: still appropriate, 0 points).

In relatively warm words (2. Language: still appropriate, 0 points),

the Company announces that the CEO, age 54 (3. Age: not appropriate, 1 point),

"plans to retire," effective in the next year (4. Notice period: around one year, very long and potentially causing a lame-duck problem, still appropriate, 0 points).

Information about the future plans of the manager is not immediately available. The outgoing CEO has been on the job for 17 years (5. Tenure: appropriate, 0 points).

The share price, which had reached its all-time high two years ago, declined by around 50% in the last two years and is lagging behind the relevant benchmark (6. Share price development: not appropriate, 1 point).

In the announcement, the Founder and Chairman of Company X says that "the Board has been discussing [the outgoing CEO's] plans for over a year," whereas the outgoing CEO says that he has "advised the Board of Directors of [his] intentions a year in advance to assure a very smooth transition." The Company does not explicitly explain the reason for the planned management change (7. Official reason given: none, 1 point).

Company X has been successful in the long and medium term, but the once-rapid growth has leveled off recently. Revenue declined as Company X faces increasing competition from smaller companies (8. Circumstances: bad, 1 point).

Company X says that the Board of Directors has created a search committee and retained an executive search firm "in identifying and evaluating the best candidates" to succeed the outgoing CEO (9. Succession: unclear, 1 point).

Push-out Score: 5

It is pretty likely that the manager feels some pressure to leave the post due to recent poor performance. The information in the announcement seems somewhat inconsistent and partly contradictory.

Example 4

Company X announces that its CFO has "resigned because of matters regarding personal conduct unrelated to the operations or financial statements of the Company."

Push-out Score: 10

It is evident that the CFO was pushed out due to bad behavior. Formally, it is a resignation.

Example 5

Company X announces that the CEO "has informed the Board of Directors of his intention to resign." The management change is explained as follows. The CEO says: "I believe this is the right decision to make for the company and all its stakeholders. Without wholehearted shareholder support for my continued leadership, a protracted period of uncertainty could undermine the progress we have made and damage the interests of our policyholders, employees, regulators, debtholders, and shareholders."

Push-out Score: 10

It is evident that the CEO was pushed out by shareholders. Formally, it is a resignation.

Example 6

Company X announces the departure of the CEO. The management change is explained as follows. Company X says: "The decision of the Board to seek Mr. Y's resignation was a result of Mr. Y's request that the Board commence a process to sell the Company in a going-private transaction. While the Board, consistent with its fiduciary duties, will review and assess any bona fide proposal, the Board recently conducted a review of the Company's prospects and opportunities and disagrees with Mr. Y's views on this matter. Rather, the Board believes that unrealized potential for the Company's prospects can be achieved under new leadership and is confident in the Company's standalone opportunities."

Push-out Score: 10

It is evident that the CEO was pushed out by the Board due to differing views. Formally, it is a resignation.

Example 7

Company X announces that the CEO is "standing down." The management change is explained as follows. The departing CEO says: "I made a mistake which I greatly regret and I am now paying the consequences. I realize that my conduct in my dealings with a sales partner was not in line with [the Company's] values."

Push-out Score: 10

It is evident that the CEO felt pressure to leave the post due to bad behavior.

Example 8

Company X announces that the CEO was "terminated for cause." A reason is not given.

Push-out Score: 10

It is evident that the CEO was pushed out. The precise circumstances remain concealed.

Example 9

On January 18, Company X publishes a corporate announcement consisting of two pages (1. Form: appropriate, 0 points).

In warm words, including accolades for concrete successes, (2. Language: appropriate, 0 points),

the company announces that its CEO, age 54 (3. Age: appropriate; see below "7. Official reason given," 0 points),

"has decided not to renew his current contract" and will "leave the company at his own request as of April 30" (4. Notice period: more than three months, appropriate, 0 points).

The CEO has been on the job for eight years (5. Tenure: appropriate, 0 points).

The share price has more than doubled over the past eight years, outperformed the relevant benchmark and recently reached an all-time high (6. Share price development: strong, 0 points).

In the announcement, Company X gives no reason for the management change. But on the same date, Company Y announces that it has appointed the outgoing CEO of Company X as future CEO, effective October 1, while the incumbent CEO of Company Y "has agreed to relinquish" the CEO position effective September 30, prior to the expiry of the current contract. In terms of revenues, number of employees and market capitalization, Company Y is bigger than Company X (7. Official reason given: none, but the reason for the change is an obvious career rise, 0 points).

Company X has been particularly successful in the past eight years (8. Circumstances: good, 0 points).

Company X appoints a long-standing member of the management board as the successor, effective May 1, stressing that the new CEO is a "strong successor" (9. Succession: sign of continuity, 0 points).

Push-out Score: 0

It is not at all likely that the manager was pushed out or felt pressure to leave the post. This is, by all indications, a carefully designed career rise.

Example 10

On November 19, Company X publishes a corporate announcement with the title "Company X Names Y President." Buried at the end of the announcement (1. Form: not appropriate, 1 point),

Company X says in icy words (2. Language: not appropriate, 1 point)

that its co-president, age 50 (3. Age: not appropriate, 1 point),

"will be leaving" the company. Information about the future plans of the manager is not immediately available. A date for the departure is not explicitly given, but the new president, who was most recently also co-president, has been promoted to be sole president, effective immediately (4. Notice period: not appropriate, 1 point).

The outgoing co-president has been on the job for three years (5. Tenure: appropriate, 0 points).

Eight months ago, the share price was at its all-time high. Over the past eight months, the share price has declined sharply (6. Share price development: poor, 1 point).

In the announcement, Company X, namely the CEO, praises the new sole president to the skies -- whereas there is obviously no need to waste words on the outgoing co-president. An explicit reason for the management change is not given (7. Official reason given: none, 1 point).

Company X has been in the midst of a cost-cutting initiative and seen pressure on its business. Four months ago, Company X had announced plans to cut 15 percent of its workforce (8. Circumstances: bad, 1 point).

A successor is not needed. Company X eliminates the dual president role. (9. Succession: none, position is eliminated: 1 point).

Push-out Score: 8

It is highly likely that the manager felt pressure to leave the post to escape an impending demotion.

(Obviously, the outgoing manager has looked for alternatives in time: On November 20, Company Y appoints the former co-president of Company X as president of a newly created division.)

Benefits

Benefits of the Push-out Score™

The Push-out Scoring System™ is a powerful tool to assess a turnover event.

- **Objective**. The Push-out Scoring System is based on publicly available primary sources (press releases, regulatory filings, biographical information), objective facts (stock performance data) and verified information from secondary sources. The Push-out Score offers objective insight.

- **Comprehensive**. The Push-out Scoring System is based on nine different criteria and samples a variety of perspectives. The Push-out Score gives a comprehensive overview.

- **Unbiased**. The Push-out Scoring System skates over unreliable and unverifiable sources (e.g., "people familiar with the matter"). The Push-out Score is designed to give unbiased information.

- **Verifiable**. The Push-out Scoring System is transparent and leads to comprehensible results. The Push-out Score is verifiable.

- **Proven**. The Push-out Scoring System has been extensively tested on more than a thousand individual cases before its first publication. In the past five years alone, we have assessed more than 1,200 CEO departures from publicly traded U.S. companies with Push-out Scores and publicly disclosed the results. Our research stands up to outside scrutiny and meets the requirements of our readers and customers. The Push-out Score is a proven method.

- **Quick**. The Push-out Scoring System is easy to use and offers a pragmatic way to assess management changes. Experienced professionals can achieve robust results within the shortest time and go into more details later. The Push-out Score is quickly available.

- **Flexible**. The Push-out Scoring System is an open and adaptable system designed to fit the needs of various types of users. The Push-out Score is flexible to use.

Limitations

Limitations of the Push-out Score™

Like all systems, the Push-out Scoring System™ has its limitations. The Push-out Score condenses a complex situation into a single score. This has advantages and disadvantages.

- **Opinion, not fact**. The input data to the Push-out Scoring System are facts. The output of the Push-out Scoring System is an opinion. Opinions are debatable, but neither deniable nor negotiable. A relatively high Push-out Score indicates a high likelihood that the manager was pushed out or may have felt relatively high pressure to leave the position. It does not indicate that a manager was actually pushed out.

- **Theoretical construct**. The Push-out Scoring System is based on the assumption that management changes are triggered by pull-out forces and push-out forces. The method was inspired by the push and pull factors theory in migration research. Push-out forces and pull-out forces are a theoretical construct. The nine criteria Form, Language, Age, Notice period, Tenure, Share price, Official reason, Circumstances and Succession are proxy variables. A proxy variable is an easily measurable variable that is used in place of a variable that cannot be measured or is difficult to measure. Push-out forces and pull-out forces are ultimately unobservable and immeasurable, just like pain, grief or joy. In this regard, the Push-out Scoring System has similar limitations as behavioral pain assessment tools, grief assessment tools or joy assessment tools.

- **Missing data**. The Push-out Scoring System can only take into account available data. Missing data may lead to doubtful results. For a meaningful result, signs of push-out forces and signs of pull-out forces have to be considered together. In particular, pull-out forces are often difficult to evaluate. To give an example: It is clear that a carefully designed career rise should be classified as pull-out force. On the other hand, it is not clear whether the prospect "to spend more time with the family" can be considered as pull-out force. The phrase has been damaged by frequent abuse.

- **Never completely error-free**. The Push-out Scoring System uses seven hard indicators (Age, Notice period, Tenure, Share price development, Official reason given, Circumstances, Succession) and two soft indicators (Form of the announcement, Language in the announcement). A system based on quantification of ultimately non-quantifiable factors is by its nature never completely error-free. Soft indicators, especially language, are extremely difficult to objectify. Therefore, exechange works with the support of proprietary natural language processing (NLP) tools to assess phrases. Moreover, exechange works with proprietary natural language generation (NLG) tools to be able to present results in a language that is demonstrably free of bias (even unconscious bias), irony, sarcasm and cynicism.

- **Personal judgment**. There are no rigid rules to assess the Push-out Score. Assessments are made on a case-by-case basis. To give three examples: An age of 58, a tenure of two years or a relatively poor share price performance may be considered appropriate or inappropriate, depending on the situation. Depending on personal judgment, preferences and criteria, the Push-out Score can differ.

- **No ultimate truth**. The Push-out Scoring System enhances transparency. It was not designed to find "the ultimate truth." In our view, there is no such thing as the ultimate truth. Facts are not debatable. Truth may be debatable. There are many truths.

- **Things are not always what they seem**. Last but not least: Things are not always what they seem. No matter how carefully we assess the case, residual doubt will remain. We know what people say and what they do. We don't know what they think and what they intend. And we don't know for sure what is real and what is fake. To give an extreme example: Even when we see the CEO literally being pushed out the door, fighting tooth and nail, it may be an intentionally provoked firing -- or just a big show.

Research

State of research

The Push-out Score™ is based on practical experience and academic research.

In academic research, it remains an open question whether CEO turnover can be reliably classified as forced/voluntary, disciplinary/normal retirement or expected/unexpected.

No reliable way

Weisbach (1988), Mikkelson and Partch (1997), Denis et al. (1997), and DeFond and Park (1999) argue that there is no reliable way to classify the motive for management changes.

Fee et al. (2015) note: "As is well known, it is often difficult to determine the identity of the party initiating a CEO change and the true reason for the event. Given the coveted nature of the CEO post and our sense of the data, we suspect that most CEO turnover is involuntary and represents a negative outcome for an executive, except in a subset of cases when the individual is near retirement age."

Forced or voluntary?

A common categorization procedure is to use some variant of the Parrino (1997) algorithm.

Parrino classifies CEO turnover as forced or voluntary.

In Parrino (1997), the classification is based on the following decision process: first, a succession is classified as forced if the Wall Street Journal reports that the CEO is fired, forced from the position, or departs due to unspecified policy differences.

Under the age of 60?

For the remaining cases, the succession is classified as forced if the departing CEO is under the age of 60 and the Wall Street Journal announcement of the succession:

(1) does not report the reason for the departure as involving death, poor health, or the acceptance of another position (elsewhere or within the firm), or

(2) reports that the CEO is retiring, but does not announce the retirement at least six months prior to the succession.

The circumstances surrounding the departures of the second group are further investigated by searching the business and trade press for relevant articles to reduce the likelihood that a turnover is incorrectly classified.

Comparable position elsewhere?

These successions are reclassified as voluntary if the incumbent takes a comparable position elsewhere or departs for previously undisclosed personal or business reasons that are unrelated to the firm's activities.

The Parrino (1997) algorithm has often been varied and supplemented.

Scandals, probes, class action lawsuits?

Maharjan (2015), for instance, starts with using the criteria of Parrino (1997), with some modifications, to classify the turnover as voluntary or involuntary: All turnovers for which the press reports that the CEO is fired, is forced out, or departs due to difference of opinion, pressure from shareholders or union, or unspecified policy differences with the board are classified as forced.

In addition, turnovers due to the board not renewing the contract, and turnovers triggered by scandals, probes, or class action lawsuits are also flagged as forced.

Announcement at least two months prior to the departure?

Of the remaining turnovers, if the departing CEO is under the age of 60, it is classified as forced if either:

(1) the reported reason for the departure does not involve death, poor health, or acceptance of another position elsewhere or within the firm (including the chairmanship of the board), or

(2) the CEO is reported to be retiring but there is no announcement about the retirement made at least two months prior to the departure, and the CEO declines to make any comments.

Comments regarding the departure?

Maharjan (2015) then complements these criteria with a few of his own.

He reclassifies a forced turnover (identified through the steps described above) as voluntary if either:

(1) the press does not specify any reason for the departure or there are no press reports on the departure, and the CEO's employment record, obtained from BoardEx and Marquis Who's Who publications, suggests that the CEO obtained a comparable position elsewhere within three months, or

(2) the press reports convincingly explain that the departure is due to previously undisclosed personal or business reasons that are unrelated to the firm's activities, and/or the departing CEO steps forward to make comments regarding the departure.

All of the CEO successions not flagged as forced are classified as voluntary.

Rough classification

The algorithm suggested by Parrino (1997) has become more or less the standard approach to assessing whether a particular turnover is "forced."

The Parrino algorithm only allows a rough classification: voluntary or forced.

Risk of misclassification

Hermalin and Weisbach (2017) state that a plus to the Parrino (1997) algorithm is "the turnovers it identifies as forced are likely correctly classified; a minus is it will mis-classify as voluntary those turnovers in which the press fails to report information about pressure exerted on executives to resign."

Fee et al. (2015) point out that the Parrino (1997) algorithm "assumes that news article revelations of a forced departure automatically qualify a turnover event as forced."

They further note that "[i]n the absence of such a revelation, the default choice is to treat young (old) executives who depart from the firm as forced (voluntary), using age 60 as the dividing line."

Systematic biases

Fee et al. (2015) argue: "While this approach has intuitive appeal, it may contain some systematic biases. In particular, holding constant the actual reason for the departure, the press may be more likely to label any given departure as forced when absolute or relative firm performance is poor, leading to spurious inferences. In addition, since news revelations of overtly forced departures are rather rare, this algorithm relies heavily on a CEO's age, treating a 59 (60) year old who departs as almost surely forced (not forced). At the very least, detailed age modeling/controls should be incorporated into models that use this algorithm."

Fee et al. (2015) use additional information regarding the forced versus voluntary nature of a given type of event.

They categorize CEO turnover as generic, severance-payment, and overtly forced turnover.

"Generic turnover" includes all CEO changes with the exception of health/death/acquisition/jump events.

"Severance-payment turnover" includes all CEO changes with the presence of a payment to the departing CEO (e.g., severance payment, consulting agreement).

"Overtly forced turnover" includes all CEO changes where the CEO was fired, ousted or forced from the position, according to press reports.

Partially forced and partially voluntary

Furthermore, in our view, reality is complex. Turnover may be partially forced and partially voluntary.

"Half drew him in, half lured him in."
(Johann Wolfgang von Goethe)

The line between the five categories of termination:

- layoff (termination due to elimination of a position, ***forced***),
- discharge due to performance (***forced***),
- disciplinary dismissal (termination for cause, ***forced***),
- retirement (termination caused by age, ***mandatory or voluntary***) and
- resignation (termination on the initiative of the employee, ***voluntary***)

may be blurred. A decision to classify a departure as voluntary or forced is subject to discretion. Deductive methods may lead to misclassifications.

Deductive

Deductive reasoning goes from the general (the theory) to the specific (the observations). For example, "All CEOs can be fired. Jim is a CEO. Therefore, Jim can be fired." For deductive reasoning to be sound, the hypothesis must be correct.

Deductive conclusions are certain provided the premises are true.

If the generalization is wrong, the conclusion may be logical, but it may also be untrue.

For example, the argument, "All departing CEOs who are over the age of 60 are leaving voluntarily. Jim is over the age of 60. Therefore, Jim is leaving voluntarily," is valid logically but it is untrue because the original statement is false.

The following premises are also questionable:

- All departing CEOs who are under the age of 60 and accept another position elsewhere or within the firm are leaving voluntarily.
- All departing CEOs who announce the retirement at least six months prior to the succession are leaving voluntarily.

Inductive

Inductive reasoning goes from the specific (the observations) to the general (the theory).

We make as many observations as possible, discern a pattern, make a generalization and infer an explanation or a theory.

Inductive arguments reach probable conclusions.

Another strength of inductive reasoning is that it allows us to be wrong. It is only through more observation that we determine whether our premises are true.

Plato and the kangaroo

This strength is also a weakness. Sometimes, observation possibilities are limited.

Plato was applauded for his inductively obtained definition of man as "featherless biped." He had never seen a kangaroo.

Scoring model developed by exechange

For our purpose, an inductive approach appears to be particularly promising. A hypothetico-deductive approach would bring more disadvantages than benefits.

To assess management changes, exechange adopts a new, holistic and interdisciplinary approach.

Close interaction with our readers

Our methodology is inductive, data-driven and based on close interaction with our readers.

Our customers require comprehensive information about the reason for the management change and details regarding the executive-firm fit and potential manager-shareholder agency conflicts at the time of the departure.

Our readers include personnel professionals, global executive search and leadership consulting firms, executive coaching companies, management consulting firms, event-driven investment managers, corporate governance experts, private equity firms, banks and corporations.

Inspired by the push and pull factors theory in migration research

exechange's scoring model is based on the assumption that management changes are triggered by pull-out forces and push-out forces.

The method was inspired by the push and pull factors theory in migration research.

Migration: Forced and voluntary

In migration research, two types of moves are distinguished: forced and voluntary.

According to the push and pull factors theory, migration is fueled by a combination of push and pull factors in place of origin and destination.

"Push-out force" and "pull-out force" are technical terms primarily used in engineering mechanics.

exechange's scoring model considers

- age,
- notice period (time between announcement and actual departure),
- tenure,
- share price development,
- official reason given,
- circumstances of the management change (e.g., firm and industry performance, peer group performance, severance payment, consulting agreement),
- succession (internal vs. external) and
- several soft factors (e.g., language, form and structure of the announcement).

Quantity, quality and constellation

The final result of our analysis is a certain number of signs of push-out forces.

The quantity, quality and constellation of the signs enable a more sophisticated view of a complex situation.

To give an example, it is highly likely that a CEO (or CFO) has been pushed out or felt pressure to leave the post when at least six of the following nine criteria are met:

- The departure is buried deep within a big corporate announcement.
- The language in the announcement is icy.
- The age is under 60.
- The departure is effective immediately.
- The tenure of the executive is under three years.
- The recent share price performance is poor.
- The reason for the departure is not given or not transparent (e.g., "to pursue new opportunities," "to spend time with the family," "for personal reasons")
- The company reports bad news on the same date (e.g., weaker-than-expected results).
- A permanent successor is not immediately available.

Our research stands up to outside scrutiny and meets the requirements of our readers and customers.

References

DeFond, Mark L. and Chul W. Park, 1999, The effect of competition on CEO turnover, *Journal of Accounting and Economics* 27, 35-56.

Denis, David J., Diane K. Denis and Atulya Sarin, 1997, Ownership structure and top executive turnover, *Journal of Financial Economics* 45, 193-221.

Hermalin, Benjamin E. and Michael S. Weisbach, 2017, Assessing managerial ability: Implications for corporate governance. Forthcoming in *The Handbook of the Economics of Corporate Governance*.

Fee, C. Edward, Charles J. Hadlock, Jing Huang and Joshua R. Pierce, 2015, Robust models of CEO turnover: New evidence on relative performance evaluation, Working paper, Tulane University, Michigan State University, University of South Carolina, and University of Kentucky.

Maharjan, Johan, 2015, Essays on executive turnover, Retrieved from Arts & Sciences Electronic Theses and Dissertations, Paper 419.

Mikkelson, Wayne H. and M. Megan Partch, 1997, The decline of takeovers and disciplinary managerial turnover, *Journal of Financial Economics* 44, 205-228.

Parrino, Robert, 1997, CEO turnover and outside succession: A cross-sectional analysis, *Journal of Financial Economics* 46, 165-197.

Weisbach, Michael S., 1988, Outside directors and CEO turnover, *Journal of Financial Economics* 20, 431-460.

Simplified Push-out Algorithm™

Academic researchers who need to analyze large datasets at relatively low costs can use exechange's Simplified Push-out Algorithm™ to classify CEO turnover as forced or voluntary.

The Simplified Push-out Algorithm is easy to handle and leads to robust results.

The license is free of charge for academic purposes. We ask you to properly attribute the ownership of the trademark as follows: "Simplified Push-out Algorithm is a trademark of exechange."

According to the Simplified Push-out Algorithm, the classification is based on the following decision process:

- **Mandatory retirement, death or poor health**. A turnover is **not classified** if the executive has reached the mandatory retirement age or if the reason is death or poor health.

- **Overtly forced departure.** A turnover is classified as **forced** if the executive is openly pushed out (e.g., "terminated for cause") or if there is no reasonable doubt that the executive leaves the position due to pressure (e.g., bad behavior).

- **Reportedly forced departure**. For the remaining cases, a turnover is classified as **forced** if the company or the press report information about pressure exerted on the executive to leave the position.

- **Career rise**. For the remaining cases, a turnover is classified as **voluntary** if the departing executive takes a comparable or superior position within the firm or elsewhere within three months.

- **Compelling reasons**. For the remaining cases, a turnover is classified as **voluntary** if the company or the press reports convincingly explain that the departure is due to personal or business reasons that are unrelated to the firm's activities.

- **Demotion.** For the remaining cases, a turnover is classified as **forced** if the departing executive takes an inferior position within the firm or elsewhere within three months.

For the remaining cases, the succession is classified as **forced** if at least four of the following seven criteria are fulfilled:

- **Low age**. The age is under 60.

- **Short notice**. The announcement comes less than two months prior to the departure.

- **Short tenure**. The tenure in the position (time between start date and termination date) is under three years.

- **Poor share price performance**. The share price performance is poor, compared to the relevant benchmark.

- **Non-transparent reason**. The reason for the departure is not given, not understandable or not transparent (e.g., "to pursue other interests").

- **Critical time**. The company reported bad news within three months prior to the departure announcement (e.g., weaker-than-expected results) or the company is in a critical situation.

- **Succession issues**. A permanent successor is not immediately available, the successor is taken from the board, the successor is brought in from outside or the position is eliminated.

All turnovers not flagged as forced or voluntary through the steps described above are classified as **voluntary**.

Depending on the specific character of the research project, the criteria can be varied.

Irony, sarcasm and truth

Statements full of irony, sarcasm and truth

Corporate announcements are often so formal. But sometimes the divisions between CEO code, prose and poetry aren't clear-cut.

It does not happen often, but sometimes managers dare to break norm and form. There are cases where the Push-out Score™ will produce interesting but totally redundant results.

"Perfectly fine mid life crisis"

"After nearly 7 years as CFO, I will be retiring from Google to spend more time with my family. Yeah, I know you've heard that line before. … Allow me to spare you the rest of the truths. But the short answer is simply that I could not find a good argument to tell [my wife] Tamar we should wait any longer for us to grab our backpacks and hit the road -- celebrate our last 25 years together by turning the page and enjoy a perfectly fine mid life crisis full of bliss and beauty."
(**Google CFO Patrick Pichette** in March 2015 in a post on Google Plus)

***

"Not leaving to spend more time with my family"

"I am not leaving to spend more time with my family -- that presumes my family wants to spend more time with me. I will, however, be spending more time in my shop with my robots. I also have some other plans and will have more to say on what I'm doing in the next few months."
(**Autodesk CEO Carl Bass** in February 2017 in a statement posted to the Autodesk website)

***

"After some serious soul searching"

"After some serious soul searching I have taken the decision to retire from The Net-a-porter Group and to start a new chapter in my life."
(**Net-a-porter founder Natalie Massenet** in September 2015 in an email to staff)

***

"That day has come"

"I have always said if there ever came a day when I could no longer meet my duties and expectations as Apple's CEO, I would be the first to let you know. Unfortunately, that day has come."
(**Apple CEO Steve Jobs** in August 2011)

***

"I've just been fired over the phone"

"I am very sad to tell you that I've just been fired over the phone by Yahoo's Chairman of the Board."
(**Yahoo CEO Carol A. Bartz** in September 2011 in an email to staff)

***

"This feels like a divorce"

"It is with a very heavy heart that I say goodbye to Usana, but I hope not to my Usana Family. … [T]his feels like a divorce where I have lost custody of my children. I had always expected to be with Usana until the end, but life is complex and things don't always work out how we would hope. Unfortunately, Dr [Myron W.] Wentz [his father and Chairman of the Board of Usana] and I could not find a way to make things work. After years of disagreements and very little communication, I realized that it would be best for everyone involved if we were to part ways."
(**Usana Co-CEO Dave Wentz** in November 2016 in a post on Facebook)

***

"They requested that I 'step aside'"

"On Friday I was in Washington for a meeting with administration officials. In the course of that meeting, they requested that I 'step aside' as CEO of GM, and so I have."
(**General Motors CEO Rick Wagoner** in March 2009 in a statement posted to the GM website)

***

"Untenable atmosphere"

"After a lot of reflection, I have resigned from my position as your MD & CEO effective today. … I cannot carry out my job as CEO and continue to create value, while also constantly defending against unrelenting, baseless/malicious and increasingly personal attacks. … I have decided to leave because the distractions, the very public noise around us, have created an untenable atmosphere. … I now need to move forward, and return to an environment of respect, trust and empowerment, where I can take on new lofty challenges, as can each of you. … Over the next weeks and months, I look forward to working with the Board and management to create a smooth transition, and simultaneously staring into the great unknown, and to doing something great, something purposeful, for the times ahead. And also to spend some time with my loved ones. I've been away from home far too often and far too long."
(**Infosys CEO Vishal Sikka** in August 2017 in an email to staff)

***

"In the longer term"

"Tangoe, Inc. … today announced that Al Subbloie has resigned from his role as Chairman of the Board and Chief Executive Officer, effective immediately, after being informed of the Board's conclusion that the Company in the longer term would benefit from a transition to a new CEO."
(**Tangoe Inc.** in a corporate announcement in May 2016)

Data and flags

To assess a turnover event and to determine the Push-out Score™, exechange works with a standardized set of data and flags.

The **flags** include, among others:

- departing executive already removed from corporate website
- departing executive receives accolades
- departing executive receives praise
- departing executive receives words of regret
- departing executive receives words of thanks
- departing executive receives good wishes
- company in critical situation
- departure comes as a surprise
- departing executive leaves effective immediately
- departing executive’s position not immediately filled
- departure accompanied by bad news (e.g., lowered guidance)
- departure accompanied by good news (e.g., increased guidance)
- departure reason not fully transparent
- interim successor appointed
- search for successor conducted externally
- search for successor conducted internally
- successor taken from board

The **data** include, among others:

- age of departing executive
- age difference between departing executive and successor
- gender of departing executive
- action of departing executive (e.g., resigns, retires, steps down)
- term of service of departing executive
- departure date
- departure reason
- total compensation of departing executive
- market capitalization
- number of employees
- share price development
- age of successor
- gender of successor
- previous company of successor
- previous position of successor
- start date of successor
- total compensation of successor

Simple and difficult questions

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 bad.
Who recovers. Who is well.
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 good man. Who is bad man.
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 in. 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?

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.