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# exexchange news

We determine the Push-out Score™

12.2017

## Every third CEO steps down under pressure

- **Ambivalent move: HPE CEO Meg Whitman leaves**
- **Almost perfect exit: Lear chief executive Matt Simoncini retires**
- **Bumpy departure: Madison Square Garden boss Doc O'Connor resigns**
- **In-depth analysis of more than 200 CEO departures in the U.S. from the past 12 months**

(exchange) – December 1, 2017 -- Hewlett Packard Enterprise Company, Lear Corporation and The Madison Square Garden Company are among the companies that announced a major leadership change in November 2017. Obviously, not all of the top managers leave the position on their own initiative.

Every management change is different. The departure of Hewlett Packard Enterprise CEO Meg Whitman seems ambivalent, the retirement of Lear chief executive Matt Simoncini is almost perfect, and the resignation of Madison Square Garden boss Doc O'Connor appears bumpy.

A more detailed insight is provided by research firm exchange, which has analyzed more than 500 changes in top management of publicly traded companies from around the world and from the past 12 months, including more than 200 CEO departures in the U.S. (see Exhibit 1).

exchange uses a scoring system with a scale of 0 to 10 to determine the likelihood of a forced executive change. A Push-out Score of 0 indicates a completely voluntary management change, and a score of 10 indicates an overtly forced departure.

The Push-out Score incorporates facts from company announcements and other publicly available data, including the age of the outgoing manager, time in office and share price performance. The system also interprets the sometimes-cryptic language in corporate communications, using a proprietary algorithm (see Exhibit 2). The method can be used for management changes in all listed companies in the world.

Around 36 percent of the Push-out Scores of CEO departures in the U.S. from the past 12 months reached values between 6 and 10, which suggest strong pressure on the outgoing CEO (see Exhibit 3). Every third CEO in the U.S. steps down under pressure.

With a Push-out Score of 5, the CEO change at **Hewlett Packard Enterprise Company** seems ambiguous.

As announced on November 21, Margaret C. (Meg) Whitman, age 61, leaves her post as Chief Executive Officer at the information technology company after about six and a half years in the position, effective February 1, 2018. Whitman's duties will be taken over by Antonio Neri, President of Hewlett Packard Enterprise Company since June 2017. Whitman will remain on the HPE Board of Directors. So far there are no red flags visible.

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The reason given for the management change is not completely comprehensible. That's the first point for the Push-out Score.

Whitman's departure from the CEO post is explained as follows. She said: "Now is the right time for Antonio and a new generation of leaders to take the reins of HPE."

Now is the right time? Whitman's departure comes after she was considered for, but ultimately did not accept, a job as the CEO of Uber. According to CNBC, Whitman had said in September 2017 during a conference call: "I have no plans to leave HPE. ... It's hard to imagine another five [years] but listen, I am here for the foreseeable future, because there's still work to do."

Precise information about Whitman's future plans was not immediately available.

Whitman steps aside at a critical time. That's point number 2. The announcement came as HPE gave a forecast for earnings in the fiscal first quarter that missed analysts' estimates.

The change follows a stagnation in the share price of Hewlett Packard Enterprise Company since December 2016. That's point number 3. Her successor, Neri, said that "we remain focused on ... delivering the next wave of shareholder value."

The form and language of the announcement provide further warning signals and two additional points: Pat Russo, Chairman of HPE's Board of Directors, said only 20 words about the long-standing chief executive Meg Whitman: "During the past six years, Meg has worked tirelessly to bring stability, strength and resiliency back to an iconic company."

Meg has worked tirelessly: The phrase can be seen as poisoned praise. Russo does not say whether Whitman was successful with her tireless work. It can be assumed that Russo has chosen her words carefully.

In the announcement, Hewlett Packard Enterprise lauds Whitman for her achievements, but the departing chief executive gets no explicit word of thanks, no word of regret and no good wishes. Whitman points to accomplishments during her tenure: "I'm incredibly proud of all we've accomplished since I joined HP in 2011."

The terms of Whitman's departure were not immediately disclosed. HPE did not respond to an email message seeking comment.

With a Push-out Score of 1, the CEO change at **Lear Corporation** is almost perfect.

As announced on November 16, Matthew J. (Matt) Simoncini leaves his post as Chief Executive Officer at the supplier of automotive seating and electrical systems after about six and a half years in the position, effective February 28, 2018. The lead time is 104 days.

He will hand over the baton to Ray Scott, currently Executive Vice President and President of Seating at Lear Corporation, and the Board "looks forward to a very smooth CEO transition, and to continued operational and financial success under Ray's leadership."

Simoncini's departure from the CEO post is explained as follows. Matt Simoncini said: "Given Ray's extensive leadership experience and the overall strength of the Lear management team, now is the perfect time to implement our succession plan."

Now is the perfect time? This sounds plausible because the management change is exactly what investors love to see. The share is now trading at a record high and profits are booming.

On October 25, 2017, Lear Corporation had reported record results for the third quarter 2017.

The icing on the cake with Simoncini's resignation is the form and language of the announcement. The outgoing CEO does not praise himself, but his successor, whom he attests to have "extensive leadership experience."

In the announcement from Southfield, Michigan-based Lear, Matt Simoncini receives accolades, praise and thanks. Henry D. G. Wallace, non-executive chairman, said: "Thanks to Matt's exceptional

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leadership, the Company has achieved industry-leading financial results and the best total shareholder returns among its peers."

The Push-out Score is 1 because Simoncini's age of 56 is below normal retirement age. Precise information about his future plans was not immediately available.

With a Push-out Score of 7, the CEO change at **The Madison Square Garden Company** is in the upper range of the scale and seems pretty bumpy.

As announced on November 13, David (Doc) O'Connor leaves his post as Chief Executive Officer at the sports and entertainment holding company. A variety of factors indicates that the manager was under strong pressure.

Among the red flags are the abrupt departure (effective immediately), the short tenure as CEO (less than two and a half years) and the fact that a permanent successor is still to be found while Executive Chairman Jim Dolan steps in as interim CEO. That makes the first three points on the scale.

In addition, a reason for the surprising change was not explicitly given. That's point number 4.

O'Connor steps aside at a critical time. That's point number 5.

On November 14, The Madison Square Garden Company announced that it intends to sell its original WNBA franchise, the New York Liberty. "MSG is committed to identifying new ownership that will continue to grow the team, and is actively seeking a buyer to take over immediate operations of the franchise," the Company said.

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

Taking as a basis the announcement from New York-based Madison Square Garden, O'Connor's move is a departure without pomp and ceremony. In the brief announcement which consists only of two sentences, the departing chief executive gets no accolades for concrete successes, no praise, no explicit word of thanks, no word of regret and no good wishes.

In the brief announcement from Madison Square Garden, Doc O'Connor does not get a chance to speak.

Conclusion: Short notice period, short tenure, succession problems, non-transparent reason, critical time, formal anomalies and linguistic peculiarities are seven red flags. Only O'Connor's age of 59 years, the strong share price performance and the fact that he was not openly pushed out prevented a greater increase in the score.

In the U.S., the average Push-out Score for CEO departures in the period December 2016 to November 2017 was 4.4. The average tenure of departing CEOs in the U.S. was 8.8 years (see Exhibit 4). The average CEO retirement age in the U.S. was 62 (see Exhibit 5).

These results were calculated from 237 individual CEO departures of companies listed in the Russell 3000 index, which provide a homogenous and wide data pool for the analysis of CEO departures. The Russell 3000 seeks to be a benchmark of the entire U.S. stock market and encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

In the past 12 months, the Healthcare sector showed the highest average Push-out Scores in the U.S. with 5.9. The lowest Push-out Scores were determined in the Industrial Goods sector with 2.4 and the Financial sector with 2.7.

In the Basic Materials sector, the average Push-out Score was 4.1, in the Consumer Goods sector it was 4.1, in the Services sector it was 5.2, and in the Technology sector it was 4.9.

### **About exexchange**

exexchange is an independent research provider widely recognized as an important voice on executive changes. exexchange determines the Push-out Score and was featured by The Wall Street Journal, Harvard Business Review and Stanford University. For more information, visit [exexchange.com](http://exexchange.com).

Exhibit 1

**CEO departures December 2016 to November 2017 (selection)**

<b>Announced</b>	<b>Company</b>	<b>Name</b>	<b>Push-out Score</b>	<b>Sector</b>
21-Nov-17	Hewlett Packard Enterprise Company	Margaret C. Whitman	5	Technology
16-Nov-17	Lear Corporation	Matthew J. Simoncini	1	Consumer Goods
7-Nov-17	State Street Corporation	Joseph L. Hooley	3	Financial
6-Nov-17	Cardinal Health, Inc.	George S. Barrett	6	Services
6-Nov-17	Anthem, Inc.	Joseph R. Swedish	6	Healthcare
18-Oct-17	American Express Company	Kenneth I. Chenault	0	Financial
17-Oct-17	Northern Trust Corporation	Frederick H. Waddell	0	Financial
2-Oct-17	Dentsply Sirona Inc.	Jeffrey T. Slovin	10	Healthcare
28-Sep-17	Chevron Corporation	John S. Watson	3	Basic Materials
28-Sep-17	Kellogg Company	John A. Bryant	8	Consumer Goods
26-Sep-17	Equifax Inc.	Richard F. Smith	8	Financial
18-Sep-17	Dollar Tree, Inc.	Bob Sasser	1	Services
30-Aug-17	Expedia, Inc.	Dara Khosrowshahi	0	Services
16-Aug-17	UnitedHealth Group Incorporated	Stephen J. Hemsley	0	Healthcare
2-Aug-17	Mondelez International, Inc.	Irene B. Rosenfeld	2	Consumer Goods
19-Jul-17	L3 Technologies, Inc.	Michael T. Strianese	0	Industrial Goods
17-Jul-17	Sysco Corporation	William J. DeLaney	0	Services
17-Jul-17	The Bank of New York Mellon	Gerald L. Hassell	2	Financial
11-Jul-17	Zimmer Biomet Holdings, Inc.	David C. Dvorak	6	Healthcare
10-Jul-17	Citrix Systems, Inc.	Kirill Tatarinov	9	Technology
20-Jun-17	Whirlpool Corporation	Jeff M. Fettig	1	Consumer Goods
12-Jun-17	General Electric Company	Jeffrey R. Immelt	4	Industrial Goods
5-Jun-17	Perrigo Company plc	John T. Hendrickson	7	Healthcare
1-Jun-17	CenturyLink, Inc.	Glen F. Post	2	Technology
22-May-17	Ford Motor Company	Mark Fields	9	Consumer Goods
17-May-17	Halliburton Company	David J. Lesar	3	Basic Materials
3-May-17	General Mills, Inc.	Kendall J. Powell	5	Consumer Goods
20-Mar-17	Comcast Cable Communications	Neil Smit	0	Services
9-Mar-17	American International Group	Peter D. Hancock	10	Financial
27-Feb-17	ServiceNow, Inc.	Frank Sloatman	4	Technology
21-Feb-17	CSX Corporation	Michael J. Ward	4	Services
7-Feb-17	Autodesk, Inc.	Carl Bass	6	Technology
2-Feb-17	Micron Technology, Inc.	Mark Durcan	3	Technology
17-Jan-17	U.S. Bancorp	Richard Davis	1	Financial
17-Jan-17	Mattel, Inc.	Christopher A. Sinclair	0	Consumer Goods
14-Dec-16	Exxon Mobil Corporation	Rex W. Tillerson	0	Basic Materials
12-Dec-16	Alexion Pharmaceuticals, Inc.	David L. Hallal	9	Healthcare
9-Dec-16	The Coca-Cola Company	Muhtar Kent	2	Consumer Goods

Source: exchange

Exhibit 2

## Push-out Score: Factors considered (selection)

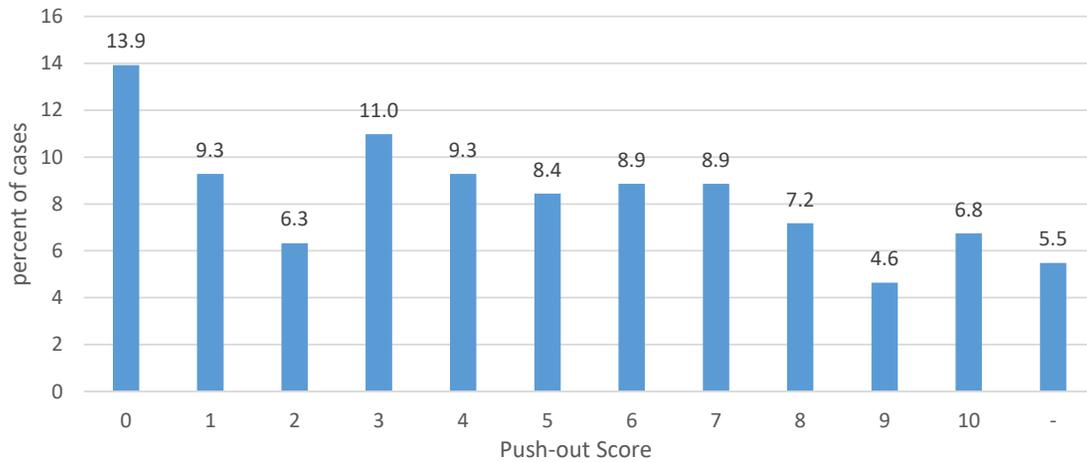
Dimension	Examples of factors considered
Form	Dedicated press release (yes or no) Placement (top of release or buried in other news, such as earnings release) Length of disclosure (e.g., excessively short or long, omissions)
Language	Tone of announcement (warm, neutral, cold) Language used in quotations (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 with company (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 (e.g., retire, health, taking new job)
Circumstances	Industry performance Peer group performance Governance factors (controversy, restatements, lawsuits) Severance payments made (yes or no)
Succession	Signs of continuity Successor identified (yes or no) Internal vs. external successor Interim or permanent replacement Successor added to corporate website (yes or no)

Source: exchange

Exhibit 3

**Chart 1: Many CEOs leave the position under pressure**

Percentage distribution of Push-out Scores in the 12-month period from December 2016 to November 2017 in the U.S. stock index Russell 3000



Legend: Around 14 percent of the departing CEOs received a Push-out Score of 0. A Push-out Score of 0 indicates a completely voluntary change, and a value of 10 indicates an overtly forced departure. Cases in which a Push-out Score is not determined (e.g., death or health reasons) are summarized under "-". Sample includes 237 observations. Source: exexchange

Exhibit 4

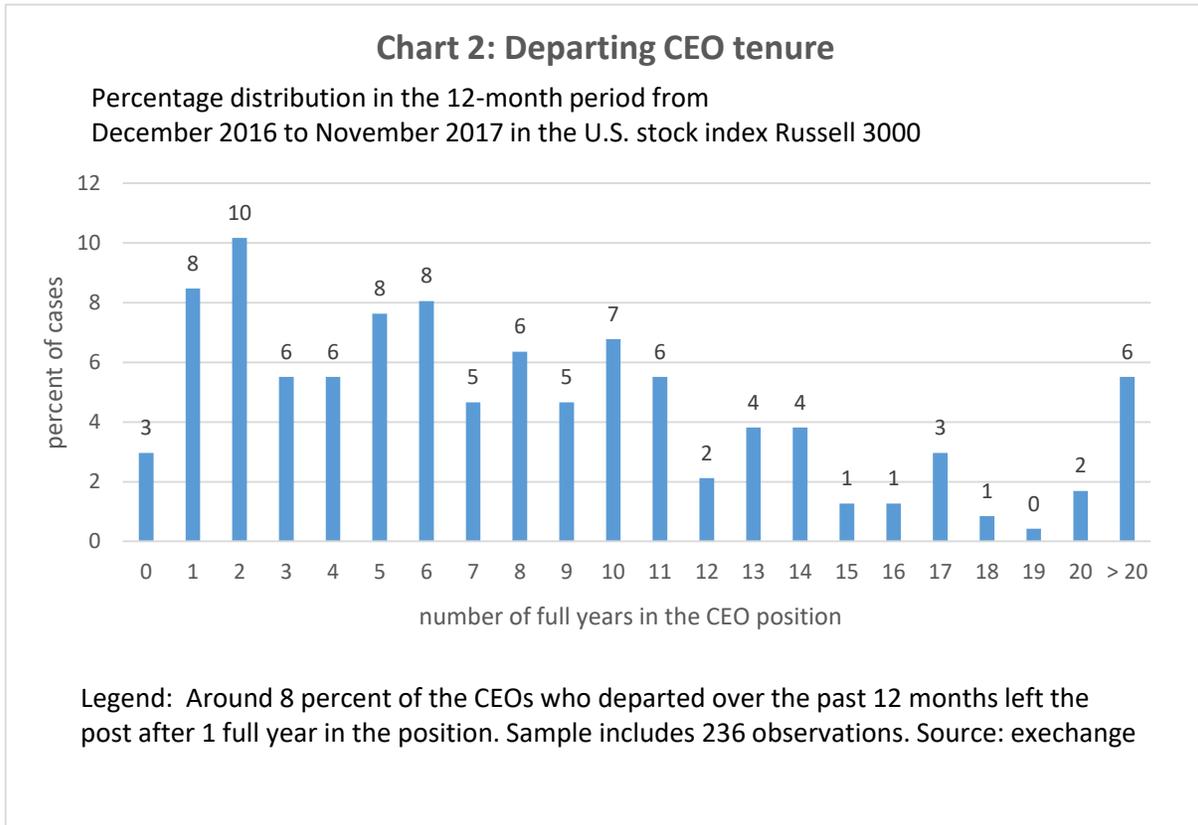
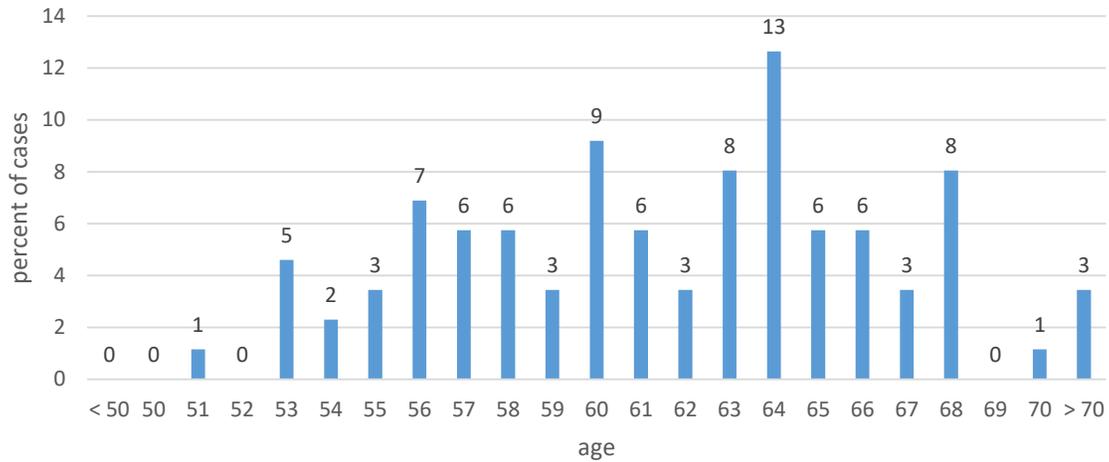


Exhibit 5

**Chart 3: CEO retirement age**

Percentage distribution in the 12-month period from December 2016 to November 2017 in the U.S. stock index Russell 3000



Legend: Around 13 percent of the CEOs who announced their retirement over the past 12 months were 64 years old. Sample of CEOs who announced that they "retired" includes 87 observations. Sample of all departing CEOs includes 237 observations (37 percent "retired", and 63 percent announced other types of departure, e.g., "resigned", "stepped down", were "removed" or "terminated"). 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 for push-out forces.

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

A Push-out Score of **6 to 9** suggests strong signs for push-out forces.

Who comes. Who leaves.  
Who wants to go. Who has to go.  
Who is praised. Who is blamed.  
Who wins. Who loses.  
Who's in. Who's out.  
Who is good. Who is well.  
Who recovers. Who is bad.  
Who advises. Who is well advised.  
Who steps back. Who kicks back.  
Who is appointed. Who is disappointed.  
Who signs. Who resigns.  
Who separates amicably. Who separates mutually.  
Who escapes. Who is a scapegoat.  
Who fits. Who quits.  
Who's old. Who's obsolete.  
Who's number 1. Who's number 2.  
Who goes ahead. Who goes behind.  
Who is there. Who is gone.  
Who is right. Who is left.  
Who fights for honor. Who fights for money.  
Who is selected. Who is sorted out.  
Who is honored. Who is humbled.  
Who benefits. Who suffers.  
Who goes through hell. Who keeps going.  
Who gets a golden hello. Who gets a golden handshake.  
Who bows. Who bows out.  
Who is host. Who is hostile.  
Who is goodman. Who is badman.  
Who is a friend. Who is an enemy.  
Who is hired. Who is fired.  
Who steps up. Who steps down.  
Who chairs. Who presides.  
Who is over. Who is under.  
Who gives in. Who gives up.  
Who says thanks. Who says No thanks.  
Who wishes all the best. Who wishes the best of luck.  
Who prompts. Who repeats.  
Who leaves early. Who leaves late.  
Who designs. Who resigns.  
Who excites. Who exits.  
Who is first. Who is last.  
Who throws his hat. Who throws in the towel.  
Who ranks first. Who is the first available.  
Who is successful. Who is successor.  
Who congratulates. Who wishes luck.  
Who packs in. Who packs out.  
Who reigns. Who serves.  
Who retires from office. Who retires from the world.  
Who is in seventh heaven. Who is on cloud nine.

Who speaks. Who is silent.  
Who sits. Who lies.  
Who heals. Who hurts.  
Who sees green. Who sees red.  
Who soothes. Who scolds.  
Who is sorry. Who is sad.  
Who is thrilled. Who mourns.  
Who is up. Who is down.  
Who helps. Who betrays.  
Who is not named. Who is shamed.  
Who is missed. Who is dismissed.  
Who commands. Who obeys.  
Who is a leader. Who is a follower.  
Who accepts. Who regrets.  
Who is at C-level. Who is at eye level.  
Who feels pity. Who feels schadenfreude.  
Who shows grace. Who falls from grace.  
Who tells the story. Whose fate is unknown.  
Who is hero. Who is zero.  
Who is welcomed. Who is ousted.  
Who is severe. Who gets severance.  
Who quits at the right time. Who says the time is right.  
Who decides. Who departs.  
Who is groomed. Who is doomed.  
Who is major. Who is minor.  
Who assists. Who stands by.  
Who is refunded. Who is replaced.  
Who contributes. Who distributes.  
Who is family. Who is familiar.  
Who is confident. Who is confidant.  
Who has tailwind. Who has headwind.  
Who makes a big deal. Who makes a big fuss.  
Who is in quest. Who is at rest.  
Who does well. Who means well.  
Who will be back. Who leaves for good.  
Who stumbles. Who crumbles.  
Who topples. Who tumbles.  
Who is victor. Who is victim.  
Who pays. Who pays back.  
Who earns it. Who deserves it.  
Who is vested. Who is invested.  
Who gives the last shirt. Who gives the last penny.  
Who is personal. Who takes it personally.  
Who is a big wheel. Who is a bigwig.  
Who is chief. Who is big kahuna.  
Who is a personality. Who is a person.  
Who is Who. Who says what.  
Who has a vote. Who has a say.  
Who has the last word. Who can say it?

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