THE PENNSYLVANIA STATE UNIVERSITY
SCHREYER HONORS COLLEGE

DEPARTMENT OF FINANCE

CEO SUCSESSION AND FINANCIAL PERFORMANCE

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Spring 2014

A thesis
submitted in partial fulfillment
of the requirements
for a baccalaureate degree in Finance
with honors in Finance

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ABSTRACT

Several important responsibilities of any Chief Executive Officer (CEO) consist of controlling the company's strategy and directing its overall growth, while keeping shareholders happy. But what happens when the CEO fails to lead the company to achieve its goals or is simply just not the right fit for the organization? This paper takes a dive into 20 CEO successions that have taken place throughout the last twelve years to observe how the Earnings Per Share (EPS) growth rate and Revenue growth rate are affected ex ante and ex post.

TABLE OF CONTENTS

List of Tables iii

Chapter 1 Intro 1

Chapter 2 Literature Review 2

Chapter 3 Data 7

Chapter 4 Results 11

Chapter 5 Conclusion 22

Appendix A Raw Data 25

BIBLIOGRAPHY 45

LIST OF TABLES

Table 1: Company and CEO Data…………………………………………….........8

Table 2: EPS Growth Rates Prior and Following Successions..………………….....13

Table 3: Revenue Growth Rates Prior and Following Successions……………...16

Table 4: EPS and Revenue Growth Rates 1st Year After Succession……………20

Chapter 1

Introduction

In many instances, companies that are dismissing their CEO have negative EPS growth rates leading up to the CEO succession. This puts pressure on the new CEO to turn around the financial performance of their company.

In addition, after assuming the position, successors may be inclined to paint a negative picture of the current state of their company. This portrays an image to the public that the company has previously been damaged, which gives successors leverage to put back together all the pieces, putting them in the spotlight for saving the day.

Throughout this paper, we will look at many different CEO successions and how they influenced the financial performance of their company. The literature review touches on similar research conducted on CEO succession across many different industries. In chapter three, I explain how and why the data was compiled. After the data is presented, chapter four provides the results behind my research. The raw data that was used for my research is listed in the appendix at the end of the paper.

Chapter 2

Literature Review

Although CEOs are expected to have a better understanding of their company than anyone else, they may be unable to deliver the performance that is desired from their board of directors and shareholders. CEO dismissal is often directly linked to the financial performance of the overall firm. Thus, it is the job of the board of directors to make sure that their leader is acting in the best interest of their firm and shareholders overtime.

The board of directors is also responsible for implementing a successful CEO succession. This process is not only crucial to the financial performance of the firm, but it has a major impact on the organizational structure and overall morale of the firm as well. RHR International (2009) defines the six key outcomes of an effective CEO succession as: “a board aligned on the strategy of the company and expectations of the new CEO; qualified candidates in the pipeline; minimized risks associated with new CEO; stakeholder consensus that the succession process is fair and well executed; retaining highly qualified employees; having an emergency succession plan in place.” It is crucial that all organizations have predetermined succession plans in place at all times.

Following the dismissal of CEOs during these recent times of economic distress, successors are pressured more than ever before to help drive growth and deliver excellence. In the wake of the great recession, CEO turnover rates peaked at 14.2 percent, which is slightly higher than the seven-year average of 14 percent, according to Booz &

Company (2012). With CEO succession rates at these high levels, we are provided with a large enough sample size to determine how successors influence EPS and revenue.

As mentioned earlier, CEO dismissal is in many times or not linked to the financial performance of the firm, but how does CEO succession relate to a company's performance?

Beatty and Zajac (1987) sampled large corporations using a cross-sectional/longitudinal research design to suggest that CEO succession is typically associated with a reduction in firm value. These results hold constant for CEOs that are promoted from within the organization and CEOs that come from elsewhere. According to Beatty and Zajac (1987), successors typically have a major influence on the investment decisions and the production levels of their company. This theory creates an interesting framework for observing the ex ante and ex post EPS and revenue growth rates of the succession.

Do replacement decisions of company successors have any relation to company performance? Kesner and Dalton (1994) sampled companies that have undergone CEO succession to determine whether or not new CEOs would have to replace a significant amount of top managers in order to influence performance. They used a three-year-period pre-succession and three-year period post-succession analysis to determine that: "poor performance prior to CEO succession leads to greater turnover afterward." They also discovered that employee turnover does affect performance and that employee turnover is more likely if the new CEO is not from within the organization.

Taking a look at accounting measurements of performance, Huson, Malatesta, and Parrino (2004) propose that performance deteriorates prior to CEO turnover and

improves thereafter. Their analysis is based on the level of institutional shareholdings, origin of new CEO, and the presence of an outsider-dominated board. These specific measurements of performance showed improvement after CEO turnover. This does suggest that CEO succession is viewed positively amongst investors, but this does not mean that CEO succession is the only event needed to turn around company performance.

Many people view CEO succession as having a strong relation to the organizational structure of a company. Friedman and Singh (1989) argue that either a positive or negative outcome of a succession is contingent on two different features of organizational context—the presuccession organizational performance and organizational size. They also address three important elements of a succession that have a major impact on the company: “the force initiating the change in CEO, the predecessor’s disposition, and the origin of the new CEO.” Friedman and Singh (1989) also focused part of their efforts on the stockholder reactions of successions. They discovered positive reactions from stockholders when there was poor presuccession performance and the companies’ board of directors or the CEOs themselves initiated the successions. However, when successions took place during times of positive presuccession performance, there were negative consequences.

Because of the disparity of outcomes between successions that were influence by poor performance and successions that were influenced by customary retirements, I focused my sample set on successions that were a result of the former.

Shen and Cannella (2002) analyzed how performance was impacted by the type of successor (follower, contender, outsider), the tenure of the departing senior executive, and CEO tenure. After sampling 228 CEOs, their studies suggested that: “successor type

interacts with postsuccession senior executive turnover to influence firm return on assets (ROA)." They also suggested that there is a correlation between departing CEO tenure and the postsuccession performance of the company. If departing CEOs have a short tenure, this could mean the company is suffering from structural problems, which then puts pressure on the successor to not only improve the financial performance of the firm, but to also make other strategic decisions.

Bennedsen and Nielsen (2007) took a different approach by analyzing family succession. That is, focusing on a company's decision to appoint a family member as an executive officer rather than hiring an external executive officer. During their research, they found that the gender of the departing CEO's firstborn child has a major influence on family succession and serves as a plausible instrumental variable. Parent-son succession seems to be more common than parent-daughter, and interestingly enough, Bennedsen and Nielsen (2007) confirm "male first-child firms are more likely to pass on control to a family CEO than are female first-child firms." But what affect would a family succession have on the performance of the company? From the data that was used and the firms that were analyzed, Bennedsen and Nielsen (2007) found that family succession negatively impacts firm performance, affecting operating profitability the most. This phenomenon is most noticeable in fast-growing industries, larger firms, and industries with a highly skilled labor force. As parents lay out succession plans for their children, they should first consider the financial impact it would have on their firm, and they should also consider other qualified candidates in the industry.

Government regulation plays a large role in the decision making of businesses throughout the country. Hadlock and Lee (2002) analyzed chief executive officers of both

regulated and unregulated firms. They found that “the likelihood of CEO turnover is at least as sensitive to stock performance as the likelihood of turnover among CEOs of unregulated firms.” Succession amongst unregulated firms seems to be more common than that of regulated firms. However, Hadlock and Lee (2002) did not find any convincing evidence that CEO tenures within regulated industries are longer than their unregulated counterparts. They also found that CEOs in regulated industries are less likely to be fired or replaced by a more qualified candidate. The regulated industry analyzed consisted of electric and gas companies. CEOs in this industry tend to be older, and are very likely to have a legal background.

One factor that often gets overlooked is the cost of CEO turnover. Taylor (2010) created a model that observed the effects to shareholder value from forced CEO turnover. According to the model, if turnover costs were eliminated, shareholder value would rise three percent. The cost is presumed to reflect CEO entrenchment rather than a real cost. Taylor (2010) makes the argument that if there is not much difference between a good and bad CEO, then he or she should not be replaced. Taylor (2010) also mentions “boards may learn slowly about CEO ability, allowing untalented CEOs to survive several years before being fired.” A successful CEO at one company does not necessarily mean that CEO will always be successful at another company.

Is CEO dismissal always a direct influence of the organizations performance? Fredrickson, Hambrick, and Baumrin (1988) present a model that observes CEO dismissal based on social and political factors. They found that dismissal is influenced by four factors: “the board of directors’ expectations and attributions, the board’s allegiances and values, the availability of alternative candidates for CEO, and the power of the

incumbent CEO." As you will notice later on in this paper, CEO turnover is sometimes a result of several different factors. Surprisingly, there are many times when CEOs do not always act in the most ethical ways.

The literature I used branched off into different aspects of CEO succession and how it affects company performance and structure. CEO succession strategy and planning is a critical aspect to any company in any industry. There may not always be a clear answer to what affect the former CEO and new CEO have on the future direction of their company. However, by observing EPS and revenue growth rates for companies that have dismissed their CEO, we can get a better idea of the affect he or she has on the overall financial performance.

Chapter 3

Data

In order to complete my studies I needed to get a better understanding of CEO succession and how it relates to a company's EPS and revenue. I expanded on past work in the field pertaining to general financial performance and took a dive into more granular performance metrics—earnings per share and revenue. I started by compiling a list of 20 companies, CEOs and their terms, and other basic information. The 20 companies used were derived from Execucomp, which is a database found on Wharton Research Data Services (WRDS). Execucomp provides an extensive list of CEOs that have been dismissed from their firm, date of dismissal, reason of dismissal, and the name and start

date of the successor. The CEOs I used for my research were either fired, or they resigned due to poor performance.

Table 1:

Company	**Ticker**	**CEO**	**Years**
AT&T	T	Michael Armstrong	11/01/1997 - 11/18/2002
BJ's Restaurants	BJRI	Jeremiah Hennessy	01/01/2001 - 01/01/2005
Denny's	DENN	Nelson Marchioli	01/01/2001 - 06/01/2010
E Trade	ETFC	Mitchell Caplan	01/01/2003 - 12/01/2007
Barnes and Noble	BKS	Steve Riggio	02/01/2002 - 03/01/2010
Seagate Technology	STX	William Watkins	07/03/2004 - 01/12/2009
Sprint Nextel	S	Gary Forsee	03/19/2003 - 12/17/2007
Starbucks	SBUX	James Donald	04/01/2005 - 01/07/2008
Hewlett-Packard	HPQ	Mark Hurd	04/01/2005 - 08/01/2010
Tyson Foods	TSN	Richard Bond	05/01/2006 - 01/05/2009
Yahoo	YHOO	Jerry Yang	06/18/2007 - 01/01/2009
Best Buy	BBY	Brad Anderson	06/30/2002 - 06/24/2009
Bank of New York Mellon	BK	Thomas Renyi	07/01/1997 - 06/30/2007
Walgreens	WAG	Jeffrey Rein	07/12/2006 - 10/01/2008
Dell	DELL	Kevin Rollins	07/16/2004 - 01/01/2007
Pfizer	PFE	Jeffrey Kindler	07/31/2006 - 12/05/2010
Red Robin	RRGB	Dennis Mullen	08/11/2005 - 09/01/2010
Gap	GPS	Paul Pressler	09/02/2002 - 01/22/2007
Trueblue Inc.	TBI	Joseph Sambataro	09/20/2001 - 05/17/2006
The Children's Place	PLCE	Ezra Dabah	1/24/2001 - 09/26/2007

After sifting through the data set, I noticed that CEO turnover was more prominent throughout the last decade than any other period in time. The recent economic slowdown that crippled our economy played a large role in the poor performance of many companies throughout the nation. Even though poor performance can be attributed to several different factors, many companies sought to revamp their overall business strategy, e.g. searching for a more seasoned chief executive officer or one that could cope with the ever-changing industry.

When selecting each company and their corresponding chief executive officer, I was wary of selecting too many companies within the financial services industry. Many of these companies were hit the hardest during the great recession and were on the brink of failure. I felt that consumer and retail companies such as Best Buy and Gap, were the most interesting to research. Companies in this industry had to adjust to the consistent decline in consumer spending and the new psychology of shoppers.

It was interesting researching what CEOs did wrong and what the company's strategy was moving forward. There were many instances in which companies had several different CEOs within the same decade. I did not include these companies in my data because I felt that a more tenured CEO would have had more influence on the company's performance.

We often hear chief executive officers announce that they have "decided to pursue other things" or claim they are resigning, without providing a rationale. Almost every one of the 20 companies I selected are listed on Execucomp as "resigned" or "retired." However, upon further research, I have learned that there is always a different

side of the story. For almost each company, the resignation was forced upon the CEO by the executive board for reasons mostly related to financial performance. Resignation was also common when CEOs failed to share a similar mindset with the executive board and shareholders on the future direction of the company.

In many instances, a mutual agreement resignation is beneficial for both the CEO and the company. A mutual agreement resignation is the name often used if an employer wants to kick an employee out the door without the employee putting up a fight. The mutual agreement resignation is mostly linked to financial performance and is not valid if the employee breaches conduct or proves to have acted in an unethical way. This is beneficial to both parties. If an employee resigns, he or she is not allowed to collect unemployment benefits. In addition, employee will have an easier time searching for a new position if they previously resigned from their old job, rather than being fired.

Many CEOs of larger corporations who receive overly generous salaries are more concerned with getting paid in stock and options to avoid the tax burden from receiving such a large salary. And when CEOs get fired, they do not receive their unvested stock options. However, if they resign, they are able to collect those options.

At the end of the day, it is in the company's best interest to steer clear of legal issues. When an employee is fired, the legality becomes very complex and can end up hurting the company financially and tarnishing its public image.

Walgreens CEO, Jeffery Rein, resigned in 2008 after just a two-year tenure. Rein's exit came as a surprise to all. He also failed to provide a reason for his departure, but many people familiar with the matter claimed that he did not share the same goals with the company overall.

Drug stores in the pharmaceutical industry were facing structural changes in 2008, which was paired with a slowing U.S. economy. Walgreens was experiencing declining same-store sales, was forced to discount many products, and halt its plans to expand its business and grow its market share.

Should Rein have gotten fired? In my opinion, unless the CEO does something terrible, he or she should be allowed to voluntarily step down. Jeffrey Rein was a Walgreens employee for over two decades, but he was just not the right fit for the chief executive officer position.

Chapter 4

Results

I pulled EPS and revenue data for each company for several years before and after the succession took place. After all data was collected, I calculated several different annualized growth rates for each metric.

The first growth rate was calculated by incorporating two years of data leading up to the succession, the second growth rate incorporated two years of data following the succession, and the third growth rate was a combination of both the two years prior to the succession and two years following the succession.

As I mentioned earlier, successors often paint a negative picture of the current state of their company. Therefore, the fourth and final growth rate I calculated

incorporated data from only one year following the CEO succession to determine if my assumption was accurate. This data can be found in appendix A.

After the list of companies and CEO's were compiled, I was able to search for the corresponding EPS and revenue data. I used Thomson Reuters "I/B/E/S" database to collect company EPS and revenue data. I/B/E/S gives historical financial performance data for any specified date in time. After all the designated financial performance was recorded, I was able to calculate each growth rate using Microsoft Excel. In order to calculate the growth rate, I divided the difference between the ex post value and ex ante value by the ex ante value (percentage change formula). I then divided that value by the number of years in the specified data set in order to annualize the growth rate. The growth rate was annualized to rule out any outliers in the data and to provide us with a more accurate idea of postsuccession performance.

Table 2:

Company	Prior EPS Growth Rate	EPS Growth Rate After
AT&T	-2%	-17%
BJ's Restaurants	56%	9%
Denny's	27%	0%
E Trade	-192%	33%
Barnes and Noble	-92%	65%
Seagate Technology	-243%	29%
Sprint Nextel	-636%	46%
Starbucks	-22%	98%
Hewlett-Packard	6%	-135%
Tyson Foods	-144%	119%
Yahoo	-7%	48%
Best Buy	-1%	-96%
Bank of New York Mellon	9%	-69%
Walgreens	13%	-1%
Dell	-5%	-23%
Pfizer	-7%	12%
Red Robin	-36%	160%
Gap	-6%	22%
Trueblue Inc.	34%	-53%
The Children's Place	-94%	-126%
Average	**-67%**	**6%**

Table two illustrates the 20 companies and their corresponding EPS growth rates two years prior to the succession, and the EPS growth rates following the succession, year-to-date. As you can see, the average EPS growth rate leading up to the succession is -67 percent. This is no surprise, considering the fact that the selected CEOs were either fired or they resigned due to poor performance.

The average EPS growth rate following the succession is 6 percent. This result provides a strong argument that on average, new CEOs are likely to successfully turn negative financial performance into positive financial performance.

Sprint Nextel is a prime example of a bleeding company that ousted its chief executive officer. Gary Forsee, who led Sprint Nextel from 2003–2007, is said to be responsible for the company's poor financial performance during those times. Sprint acquired Nextel in 2005, and from that time up until Forsee's departure, the value of Sprint Nextel dropped over 27 percent.

According to company spokesmen, Sprint Nextel wanted to search for candidates outside the company who could improve the overall performance and realize its corporate objectives in a changing environment. Sound familiar? Forsee left the company in the midst of the Great Recession – a time when many companies sought to revamp their business strategy and find a leader who could cope with the ever-changing industry.

The third largest wireless carrier lost over 1 million subscribers in Forsee's final year, which was more than any other year and was hurting the company's top line. During that time, Verizon and AT&T added 2 million new subscribers each, picking up all the pieces that Sprint Nextel dropped. Sprint Nextel's earnings per share decreased 636 percent in the two years leading up to Gary Forsee's dismissal.

Soon after Forsee left the company, Dan Hesse stepped in to save the day. Hesse wasted no time—immediately starting to trim fat. The new CEO let go of three top executives, cut 4,000 jobs, and closed down underperforming stores and distribution centers. The financial performance under Hesse's watch did not get off to a great start. Sprint Nextel's stock price continued to drop and the company was still losing crucial subscribers.

However, Dan Hesse knew that Sprint Nextel was not dead. He knew that the nations third largest wireless carrier just needed a solid game plan that could help make themselves more marketable amongst others in the industry. His goal was to make the company relevant and front-of-mind to consumers in the market.

In the two years following the succession, earnings per share improved 46 percent. The company hoped to build its customer base via its flat rate plans and new devices. Many analysts generally had a similar consensus on Sprint Nextel—the company wasn't getting better, but it wasn't getting worse.

When I was conducting my research, I was very surprised to see a prior EPS growth rate down 636 percent. However, after looking at the rationale behind the numbers, I was not surprised to see that the company's earnings were declining partially because of a deteriorating economy and evolving industry.

Table 3:

Company	Prior Revenue Growth Rate	Revenue Growth Rate After
AT&T	-8%	-3%
BJ's Restaurants	37%	39%
Denny's	-14%	-5%
E Trade	-6%	13%
Barnes and Noble	18%	-1%
Seagate Technology	-7%	3%
Sprint Nextel	8%	-10%
Starbucks	17%	2%
Hewlett-Packard	3%	-2%
Tyson Foods	-.4%	10%
Yahoo	-4%	-11%
Best Buy	12%	1%
Bank of New York Mellon	39%	-22%
Walgreens	12%	7%
Dell	5%	-7%
Pfizer	20%	-6%
Red Robin	0%	7%
Gap	-1%	-5%
Trueblue Inc.	15%	1%
The Children's Place	15%	-12%
Average	**8%**	**-0.05%**

Table three illustrates the revenue growth rates for each company. The first column represents the prior revenue growth rate. That is, the revenue growth rate two years leading up to the succession. The next column represents the revenue growth rate after the succession. That is, the revenue growth rate after the succession, year-to-date.

The average prior revenue growth rate for the 20 companies is eight percent, and the average revenue growth rate after the succession is -.05 percent.

This was surprising to see for two reasons—on average, revenue growth rates did not improve after the succession, and on average, revenue growth rates did not move in a similar direction to EPS growth rates.

If we think back to the fundamental reasoning behind CEO succession, we can agree that one of the main goals of any company is to appoint a new leader that can improve performance. However, by comparing the first and second column, you can see that is not the case, revenue does not always improve post succession.

A company's revenue is the total amount of money that is received from the sale of goods and services. This "top line" figure does not take into account any expenses the company must pay. After the expenses are accounted for, the final figure is called earnings. So you can see that revenue and earnings could move inversely. If revenue is increasing, but the company is not operating efficiently, earnings will not increase at the same rate as revenue. New CEOs try to improve revenue by creating more demand for their products and or services. Also, one of the ways they try to increase earnings is by "trimming fat" or improving the efficiency of the company. For example, when Dan Hesse was appointed the new CEO of Sprint Nextel, he immediately cut jobs and closed

underperforming stores. Revenue and earnings are both important metrics to look at and should both be considered when determining the health of any company. Revenue is important because any growth will come from this figure. In addition, earnings is also important because it tells you how much money the company has in its pockets at the end of the day after all expenses are paid—i.e. profit.

Tyson Foods is a good example of a company that had both a prior negative earnings per share growth rate and a negative revenue growth rate after succession. The prior EPS growth rate leading up to the succession and the revenue growth rate after the succession were -144 percent and -.4 percent, respectively.

Tyson's former CEO, Richard Bond, served for less than three years and "quit" in 2009 amid pressure to improve the company during a time in which revenue was declining and the meat industry was evolving. Tyson's stock lost more than half its value under Bond's watch. The meat industry was faced with fading consumer demand and rising costs of fattening livestock. During that time, Bond was struggling over whether or not to cut operations and to create more demand.

Richard Bond's permanent replacement was Donnie Smith. Smith took over in 2009 and Tyson ended that year with a $547 million net loss. Smith entered in a time when the Great Recession was in full swing and shoppers did not spend like they did in the past.

However, since that time, Tyson's performance has improved immensely. The company's post succession EPS growth rate increased over 100 percent and the post succession revenue growth rate increased over ten percent. Tyson Foods has improved its balance sheet by shedding more than a billion dollars worth of debt. Even more

surprising, Tyson's stock is currently trading at roughly $43 per share compared to its low of $4.40 per share in 2009.

Tyson's turn around was attributed to the company's focus on its people and the restructuring of the company's costs and capital. Smith improved the culture of Tyson Foods by empowering his employees to become more innovative, e.g. tapping employees in different business units and encouraging them to make recommendations on how to improve their lines of business. Donnie Smith also focused on the company's internal operations with a goal to become more efficient and profitable. In order to carry this out, Tyson made changes to plant spending and labor resources. Tyson Foods is now focusing on growing its market share by working with international chicken farms and slaughterers to expand its global footprint.

As I mentioned earlier, successors may be inclined to paint a negative picture of the current state of their company during their first year. When chief executive officers portray an image that the company has been damaged, it puts them in a favorable position to easily improve the health of the company, while also giving them credit for saving the day.

I was very curious to see if my assumption held true. For each one of the 20 companies in my data set, I calculated the EPS growth rate and revenue growth rate for the successors first year.

Table 4:

Company	EPS Growth Rate Year1	Revenue Growth Year1
AT&T	-20%	-5%
BJ's Restaurants	11%	34%
Denny's	400%	-2%
E Trade	54%	48%
Barnes and Noble	8%	2%
Seagate Technology	228%	16%
Sprint Nextel	-90%	11%
Starbucks	23%	-6%
Hewlett-Packard	-11%	1%
Tyson Foods	245%	6%
Yahoo	117%	-2%
Best Buy	-1%	1%
Bank of New York Mellon	-49%	14%
Walgreens	-7%	7%
Dell	-6%	-0.05%
Pfizer	8%	-1%
Red Robin	189%	6%
Gap	23%	-8%
Trueblue Inc.	-1%	3%
The Children's Place	152%	-25%
Average	**64%**	**5%**

Table 4 illustrates the EPS growth rate and the revenue growth rate for each successor's first year, respectfully. I assumed that there would be a pattern of negative growth rates for both average earnings per share and revenue. However, as you can see in table 4, I was wrong. The average EPS growth rate was 64 percent and the average revenue growth rate was five percent.

Dell and AT&T were the only two companies that experienced both negative earnings per share and negative revenue in their successors first year. Dell's CEO, Kevin Rollins, had trouble adjusting to new customer preferences and intensifying competition—the computer business was shifting. Rollins was succeeded by Dell's founder, Michael Dell. Michael Armstrong was the CEO of AT&T for five years. He was responsible for poor acquisition choices and weak cash flows, which forced AT&T to breakup its business units. Armstrong was succeeded by David Dorman, who spoke very optimistically about the current and future state of AT&T.

Some successions are carried out more smoothly than others. Dennis Mullen was Red Robin's CEO from 2005-2008. Mullen was forced to resign in 2008 and was replaced immediately. The company faced declining revenue and net income from 2008 to 2009. Revenue declined about $30 million and net income decreased about $10 million. Mullen was also responsible for many unnecessary expenses, including housing expenses, car expenses, and personal transportation expenses. Dennis Mullen faced a lot of criticism from the company's board of directors and the company's major investors.

There are also successions that are well planned and successful. Thomas Renyi served as The Bank of New York Mellon's CEO for ten years, leading the bank through a

decade of growth and transformation. The bank's board of directors was very supportive of Renyi's decision to retire and was very grateful of his contributions. Rather than immediately leaving the company, Thomas Renyi eased out of his role, providing successor Robert Kelly with the foundation he needed to take over.

Chapter 5

Conclusion

Throughout this paper I explored 20 different CEO successions and how they affected their company's financial performance. I looked at both earnings per share and revenue growth rates prior to each succession and following each succession. From my data set, I found that on average new CEOs are likely to turn negative financial performance into positive financial performance.

In addition, I noticed that some companies experienced declining revenue, but increasing earnings. From the companies analyzed, I also learned that CEOs are less inclined to portray a negative image of the current state of their company during their first year, which made my original argument invalid.

After all growth rates were calculated, there were several outliers in the sample set. Sprint Nextel posed the largest change between prior succession and post succession earnings per share growth rates. The company's earnings increased over 680 percent from -636 percent to 46 percent.

Similarly, we can use the same methodology when analyzing the sample set for the revenue metric. With a change of over ten percent, Tyson Foods increased its earnings from -.4 percent to ten percent. These increases are very likely to be a result of each company's new CEO. Donnie Smith, Tyson Food's new CEO, made changes to the company's structure, and restructured the company's costs and capital. Shaving over a billion dollars worth of debt was crucial for the company's balance sheet.

On the other hand, there were also several outliers in the sample set on the downside. Hewlett-Packard's public image was damaged after reports came to surface that the company's chief executive officer Mark Hurd, was having an affair with a female contractor employed by the company. Hurd was blamed for submitting inaccurate expense reports to conceal the relationship. The company struggled to regain its footing thereafter. Hewlett-Packard's earnings per share growth rate post succession decreased over 130 percent from 6 percent to 135 percent.

In terms of revenue, The Bank of New York Mellon had the largest change to its post succession revenue growth rate. Revenue decreased over 60 percent from 39 percent to -22 percent. The Bank of New York Mellon's new chief executive officer Robert Kelly, was eased in on the solid foundation built by his predecessor, Thomas Renyi. However, Kelly was appointed CEO at the start of the Great Recession. During a time when many banks in the industry were suffering, The Bank of New York Mellon also had a difficult time growing.

Throughout my research I learned that CEO dismissal is often a result of several factors other than poor performance, such as failure to cope with ever-changing industries, unnecessary spending, etc. CEO succession is a crucial event for any company

and must be well planned and successfully executed. As we saw from the data set, failure to appoint a well-fit CEO can result in a unstable future and negative performance.

Appendix A

Raw Data

AT&T	EPS	Revenue
2000	$2.35	$51,476.00
2001	$2.16	$45,908.00
2002	$2.24	$43,138.00
2003	$1.80	$40,843.00
2004	$1.50	$40,787.00
2005	$1.42	$43,862.00
2006	$1.89	$63,055.00
2007	$1.95	$118,928.00

Prior EPS Growth Rate	Prior Revenue Growth Rate
-2%	-8%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-17%	-3%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-9%	-1%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-20%	-5%

BJ's Restaurants	EPS	Revenue
2003	$0.18	$102.96
2004	$0.32	$129.05
2005	$0.38	$178.21
2006	$0.42	$238.93
2007	$0.45	$316.10
2008	$0.39	$374.08
2009	$0.49	$426.71
2010	$0.86	$513.86

Prior EPS Growth Rate	Prior Revenue Growth Rate
56%	37%
EPS Growth Rate Following	**Revenue Growth Rate Following**
9%	39%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
38%	52%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
11%	34%

Denny's	EPS	Revenue
2008	$0.15	$760.27
2009	$0.43	$608.10
2010	$0.23	$548.47
2011	$1.15	$538.53
2012	$0.23	$488.36

Prior EPS Growth Rate	Prior Revenue Growth Rate
27%	-14%
EPS Growth Rate Following	**Revenue Growth Rate Following**
0%	-5%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
13%	-9%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
400%	-2%

E*Trade	EPS	Revenue
2005	$1.20	$2,548.07
2006	$1.49	$3,848.37
2007	$(3.40)	$2,228.32
2008	$(1.58)	$3,288.54
2009	$(1.18)	$2,789.83
2010	$(0.13)	$2,398.49
2011	$0.59	$2,349.68
2012	$(0.39)	$2,185.62

Prior EPS Growth Rate	Prior Revenue Growth Rate
-192%	-6%
EPS Growth Rate Following	**Revenue Growth Rate Following**
33%	13%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-50%	2%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
54%	48%

Barnes & Noble	**EPS**	**Revenue**
2008	$1.55	$5,121.80
2009	$0.64	$5,810.56
2010	$(1.31)	$6,998.57
2011	$(1.41)	$7,129.20
2012	$(3.02)	$6,839.01

Prior EPS Growth Rate	**Prior Revenue Growth Rate**
-92%	18%
EPS Growth Rate Following	**Revenue Growth Rate Following**
65%	-1%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-74%	8%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
8%	2%

Seagate Technology	EPS	Revenue
2007	$1.64	$11,360.00
2008	$2.46	$12,708.00
2009	$(6.32)	$9,805.00
2010	$3.28	$11,395.00
2011	$1.13	$10,971.00
2012	$6.72	$14,939.00

Prior EPS Growth Rate	Prior Revenue Growth Rate
-243%	-7%
EPS Growth Rate Following	**Revenue Growth Rate Following**
29%	3%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-8%	-1%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
228%	16%

Sprint	EPS	Revenue
2005	$0.88	$34,680.00
2006	$0.34	$41,028.00
2007	$(10.31)	$40,146.00
2008	$(0.98)	$35,635.00
2009	$(0.84)	$32,260.00
2010	$(1.16)	$32,563.00
2011	$(0.96)	$33,679.00
2012	$(1.44)	$35,345.00

Prior EPS Growth Rate	Prior Revenue Growth Rate
-636%	8%
EPS Growth Rate Following	**Revenue Growth Rate Following**
46%	-10%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-49%	-2%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-90%	-11%

Starbucks	EPS	Revenue
2006	$0.76	$7,786.94
2007	$0.90	$9,411.50
2008	$0.43	$10,383.00
2009	$0.53	$9,774.60
2010	$1.27	$10,707.40
2011	$1.66	$11,700.40
2012	$1.83	$13,299.50

Prior EPS Growth Rate	Prior Revenue Growth Rate
-22%	17%
EPS Growth Rate Following	**Revenue Growth Rate Following**
98%	2%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
17%	9%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
23%	-6%

Hewlett-Packard	EPS	Revenue
2008	$3.35	$118,364.00
2009	$3.21	$114,552.00
2010	$3.78	$126,033.00
2011	$3.38	$127,245.00
2012	$(6.41)	$120,357.00

Prior EPS Growth Rate	Prior Revenue Growth Rate
6%	3%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-135%	-2%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-73%	0.42%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-11%	1%

Tyson Foods	EPS	Revenue
2007	$0.77	$26,900.00
2008	$0.24	$26,862.00
2009	$(1.44)	$26,704.00
2010	$2.09	$28,430.00
2011	$2.00	$32,266.00
2012	$1.61	$33,278.00

Prior EPS Growth Rate	Prior Revenue Growth Rate
-144%	-0.36%
EPS Growth Rate Following	**Revenue Growth Rate Following**
119%	10%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
40%	5%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
245%	6%

Yahoo	EPS	Revenue
2007	$0.49	$6,969.27
2008	$0.31	$7,208.50
2009	$0.42	$6,460.32
2010	$0.91	$6,324.65
2011	$0.82	$4,984.20
2012	$3.31	$4,986.57

Prior EPS Growth Rate	Prior Revenue Growth Rate
-7%	-4%
EPS Growth Rate Following	**Revenue Growth Rate Following**
48%	-11%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
17%	-7%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
117%	-2%

Best Buy	EPS	Revenue
2007	$3.20	$40,023.00
2008	$2.43	$45,015.00
2009	$3.16	$49,694.00
2010	$3.14	$50,272.00
2011	$(2.89)	$50,705.00
2012	$(1.31)	$45,085.00

Prior EPS Growth Rate	Prior Revenue Growth Rate
-1%	12%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-96%	1%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-48%	7%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-1%	1%

Bank of New York Mellon	EPS	Revenue
2005	$2.05	$8,312.00
2006	$1.95	$9,027.00
2007	$2.41	$14,782.00
2008	$1.23	$16,828.00
2009	$(0.93)	$8,279.00
2010	$2.12	$14,483.00
2011	$2.03	$15,236.00
2012	$2.04	$15,089.00

Prior EPS Growth Rate	**Prior Revenue Growth Rate**
9%	39%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-69%	-22%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-36%	-0.1%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-49%	14%

Walgreens	EPS	Revenue
2006	$1.73	$47,409.00
2007	$2.04	$53,762.00
2008	$2.18	$59,034.00
2009	$2.03	$63,335.00
2010	$2.13	$67,420.00
2011	$2.97	$72,184.00
2012	$2.43	$71,633.00

Prior EPS Growth Rate	**Prior Revenue Growth Rate**
13%	12%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-1%	7%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
6%	10.6%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-7%	7%

Dell	EPS	Revenue
2005	$1.49	$55,908.00
2006	$1.15	$57,420.00
2007	$1.33	$61,133.00
2008	$1.25	$61,101.00
2009	$0.73	$52,902.00
2010	$1.36	$61,494.00
2011	$1.90	$62,071.00
2012	$1.36	$56,940.00

Prior EPS Growth Rate	**Prior Revenue Growth Rate**
-5%	5%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-23%	-7%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-13%	-1.3%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-6%	-0.1%

Pfizer	EPS	Revenue
2008	$1.19	$48,341.00
2009	$1.23	$49,934.00
2010	$1.03	$67,791.00
2011	$1.11	$67,425.00
2012	$1.27	$58,986.00

Prior EPS Growth Rate	**Prior Revenue Growth Rate**
-7%	20%
EPS Growth Rate Following	**Revenue Growth Rate Following**
12%	-6%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
2%	5.5%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
8%	-0.5%

Red Robin	EPS	Revenue
2008	$1.70	$869.22
2009	$1.14	$841.05
2010	$0.47	$860.77
2011	$1.36	$914.85
2012	$1.97	$977.13

Prior EPS Growth Rate	Prior Revenue Growth Rate
-36%	-0.49%
EPS Growth Rate Following	**Revenue Growth Rate Following**
160%	7%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
4%	3.1%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
189%	6%

Gap	EPS	Revenue
2005	$1.26	$16,023.00
2006	$0.94	$15,943.00
2007	$1.10	$15,763.00
2008	$1.35	$14,526.00
2009	$1.59	$14,197.00
2010	$1.89	$14,664.00
2011	$1.57	$14,549.00
2012	$2.35	$15,651.00

Prior EPS Growth Rate	**Prior Revenue Growth Rate**
-6%	-1%
EPS Growth Rate Following	**Revenue Growth Rate Following**
22%	-5%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
7%	-2.8%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
23%	-8%

Trueblue Inc.	EPS	Revenue
2004	$0.87	$1,044.24
2005	$1.28	$1,236.07
2006	$1.46	$1,349.12
2007	$1.45	$1,385.66
2008	$(0.10)	$1,384.27
2009	$0.21	$1,018.42
2010	$0.46	$1,149.37
2011	$0.73	$1,316.01
2012	$0.85	$1,389.53

Prior EPS Growth Rate	Prior Revenue Growth Rate
34%	15%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-53%	1%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
-28%	8.1%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
-1%	3%

The Children's Place	EPS	Revenue
2005	$2.31	$1,668.74
2006	$3.03	$2,017.71
2007	$(2.05)	$2,162.56
2008	$2.52	$1,630.32
2009	$3.12	$1,643.59
2010	$3.09	$1,674.00
2011	$3.03	$1,715.86
2012	$2.63	$1,809.49

Prior EPS Growth Rate	Prior Revenue Growth Rate
-94%	15%
EPS Growth Rate Following	**Revenue Growth Rate Following**
-126%	-12%
EPS Growth Rate 2yrs+ & 2yrs-	**Revenue Growth Rate 2yrs+ & 2yrs-**
9%	-0.4%
EPS Growth 1yr Out	**Revenue Growth 1yr Out**
152%	-25%

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ACADEMIC VITA

Matthew A. Pryde

EDUCATION

The Pennsylvania State University — **University Park, PA**
Schreyer Honors College and Smeal College of Business — Class of 2014
Bachelor of Science in Finance
Minor in Economics

RELEVANT EXPERIENCE

Goldman Sachs — **Philadelphia, PA**
Private Wealth Management Summer Analyst — *Summer 2013*

- Calculated client investment results and linked data from Excel to PowerPoint to create performance graphs and illustrate asset allocation
- Conducted asset class and fund due diligence to create hypothetical portfolios for actual clients
- Communicated with clients on a daily basis to provide industry and sector research, Bloomberg charts comparing historical performances of various securities, etc
- Facilitated and led industry related roundtable discussions amongst vice presidents, analysts, and summer analysts

The Bank of New York Mellon — ***New York, NY***
Strategic Growth Ventures Intern — *Summer 2012*

- Provided client relationship analysis and functional support for company-wide reorganizational initiative aimed at generating $4 billion in additional revenue
- Completed due diligence to create company analysis and presentations for senior management on startup companies for potential venture capital investment by the firm
- Attended management presentations given to BNYM investment committees

New Business Ventures (International) — **Rwanda**
Independent Field Researcher — *Summer 2011*

- Selected as one of 11 students and faculty who participated in a business venture trip to Rwanda with a personal goal to help local communities explore business opportunities
- Integral member of a team of 5 who successfully conducted research in economically unstable conditions while overcoming language barriers to determine the viability of multiple businesses for women to sell products both locally and in the US
- Worked with local women to increase profitability of an existing business and expand into new businesses through market penetration and efficient allocation of resources
- Conducted research and interviewed successful local entrepreneurs to understand current economic climate and export processes pertaining to new business ventures

Penn State Investment Association — **University Park, PA**
Analyst, Telecommunications Sector — *Jan 2011-Present*

- Provide research and analysis of company and stock performance for the Nittany Lion Fund, the largest student-run portfolio in the nation, currently with $4 million in assets
- Analyze multiple 10-K's including analysis of income statements, balance sheets, and cash flow statements

Wall Street Boot Camp — **University Park, PA**
Graduate — *Spring 2012*

- Selected as one of hundreds of applicants to be part of a 40-member group of students participating in a Wall Street job search preparation program
- Attended weekly lectures presented by Wall Street professionals on topics such as investment banking, sales and trading, capital markets, asset management, etc., as well as job search skills such as resumes, networking, etc

LEADERSHIP

Smeal Traders Association (STA) — **University Park, PA**
Vice President — *Jan 2011-May 2013*

- Elected by a membership of 40 to play a leadership role in an organization developed to provide education and training to students with an interest in technical analysis techniques used to evaluate stocks
- Manage meetings and events

Students In Free Enterprise (SIFE) — **University Park, PA**
Member — *Sept 2011-May 2012*

- Participated in the Volunteer Income Tax Assistance program, which assisted low-income citizens with completing and filing tax returns
- Selected to represent Penn State's Students in Free Enterprise team at the regional and national competitions

HOBBIES & INTERESTS

- Squash Club, Intramural Volleyball and Football, 5k runner, CrossFit, Cooking