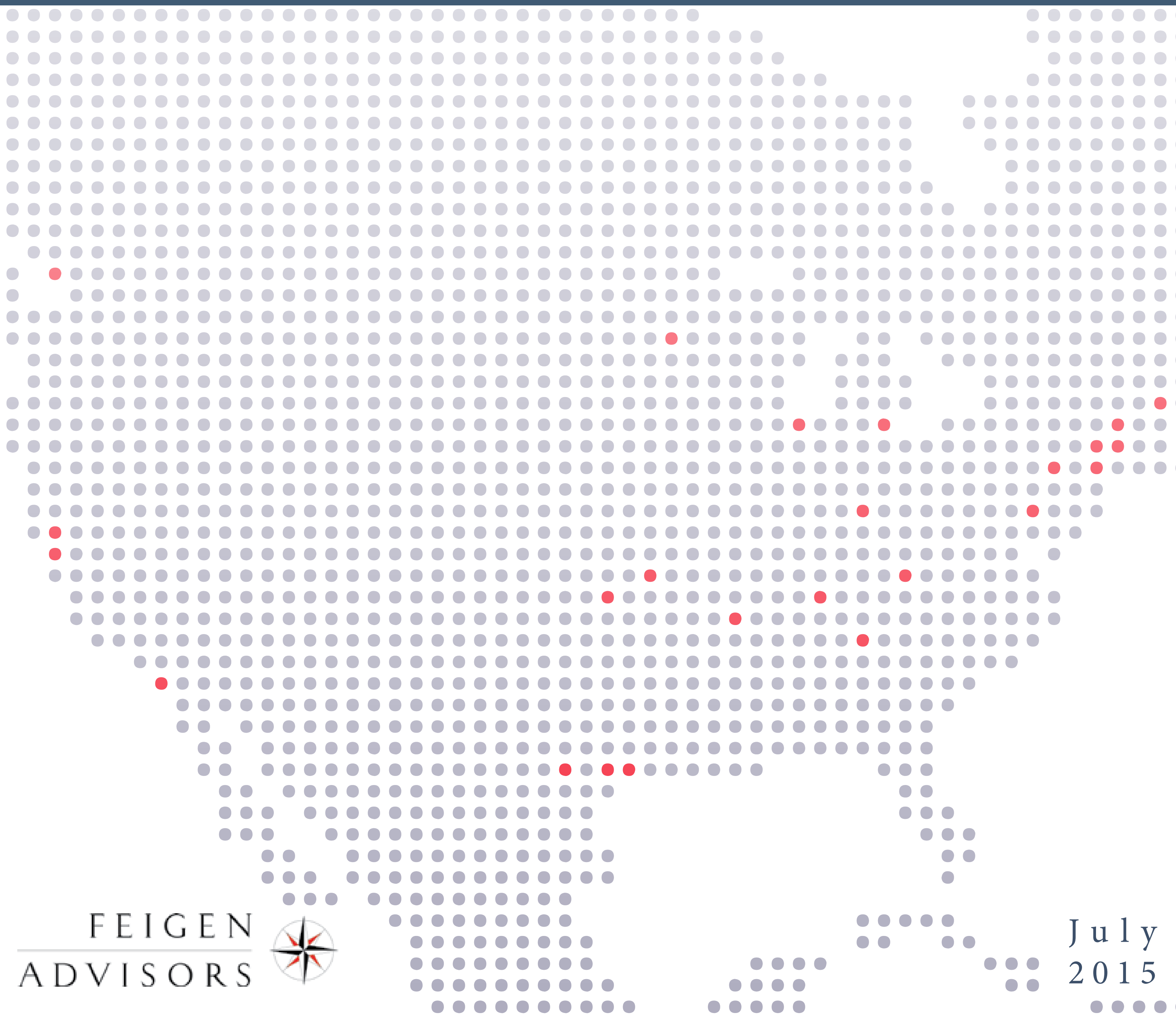
FEIGEN ADVISORS

# NEW CEO REPORT

JANUARY - DECEMBER 2014



FEIGEN ADVISORS

July 2015

# Introducing the Feigen Advisors New CEO Report

We are pleased to introduce the Feigen Advisors New CEO Report. This report profiles each new CEO appointed in 2014 in the S&P 250 individually, and provides insights from reviewing the leaders collectively. We also invited five prominent leaders to write a guest feature covering critical areas of CEO succession.

In 2014, the S&P 250 welcomed 29 new CEOs to its ranks. Together, these new CEOs lead companies with over $1.8 trillion dollars of revenue. If these companies were a country, that revenue would be greater than the GDP of India and three times that of Switzerland. Who are these leaders? Were they internally promoted or externally hired? What are their backgrounds? What do they aspire to accomplish?

An economy which can seamlessly create 29 chief executives to manage over $2 trillion dollars of market capitalization is an economy to be celebrated. As the world faces significant headwinds, large American corporates are a shining standout. They are almost all growing, profitable, well-governed, and well-managed.

We focused on the S&P 250, ranked by calendar year 2014 revenue, to provide insight on the largest public companies in our economy. There are some quite interesting discoveries. In 2014 there were only 29 new CEOs in the S&P 250. The average tenure of the 29 CEO predecessors was over ten years. 10 out of the 29 new CEOs had previously been CFO. Nearly 90% of the new CEOs were insiders, 30% had spent at least a quarter century at the companies they now lead. All of the new CEOs were insiders to their industry.

Of course, we are at the beginning of these leaders' careers, and their their greatest opportunities lie ahead. We wish them good luck, and in this short volume, seek to understand their backgrounds as the world watches their progress.

Marc Feigen
CEO, Feigen Advisors LLC
July 2015

# Introducing the CEO Class of 2014

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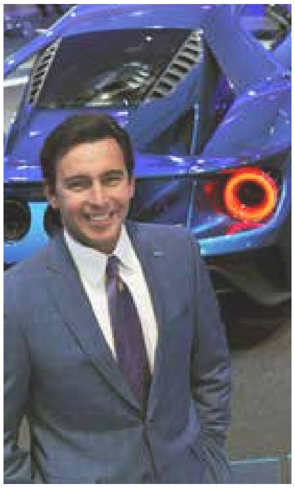


# Mark Fields

| | |
|---|---|
| **Appointed** | July 1, 2014 |
| **Age at Appt.** | 53 |
| **Succeeded** | Alan Mulally |
| **Previous Role** | Chief Operating Officer |
| **Education** | MBA, Harvard Business School |
| | BA, Economics, Rutgers University |

### Road to the Top

Joined Ford more than 25 years ago.

### Track Record Highlights

After a brief stint at IBM, Mark Fields started his career at Ford at age 28, rising through the ranks and leading a series of highly successful turnarounds in a number of Ford's businesses around the world, including leading Ford's Mazda unit from under- to over-performance, successfully leading the company's European operations (including European luxury brands) and restoring Ford's North American operations to record profitability before being named COO in 2012. In this role, and now as CEO, Fields has been responsible for overseeing Ford's fastest global manufacturing expansion in 50 years and managing the most aggressive global product introduction schedule in the company's 112-year history. His recipe involves focusing the global Ford team on operational efficiency, product excellence and unleashing a culture of innovation—particularly as new technologies emerge and the auto industry continues to rapidly evolve.

### Core Challenges

Continue Ford's strong sales and profitability growth by expanding sales overseas; rolling out new car and truck models; ramping up investments in connectivity, mobility, autonomous vehicles, the customer experience and data analytics.

### In the Words of Others

"Mark grew and rose to every challenge, and he became a battle-tested executive through it all."

*- Bill Ford Jr., Ford Executive Chairman 1999-present*
*Forbes, May 1st, 2014*

**In his own words**

"Ford is a growth company in a growing global industry. As we prepare to enter one of the most transformative periods in our history, we are driving innovation in every part of our business – to be both an automotive and a mobility company. Ultimately, our vision is to make people's lives better, just as Henry Ford did more than a century ago."

# David Abney

**Appointed** September 1, 2014
**Age at Appt.** 58
**Succeeded** Scott Davis
**Previous Role** Chief Operating Officer at UPS
**Education** Bachelors, Business, Delta State University

### Road to the Top

United Parcel Service veteran with more than 40 years' experience.

### Track Record Highlights

David Abney began his UPS career at age 18, working as a part-time package loader while in college. Over the next four decades he led UPS operations in the U.S., Canada, and Latin America, as well as globally. As President of UPS International, he expanded the company's global reach, local market presence, and logistics capabilities. In the COO role since 2007, Abney was responsible for logistics, engineering and sustainability, leading UPS's investment in alternative fuel fleets, growing freight volume, and directing the transportation network in over 200 countries and territories. Between 2010 and 2014, total revenue at UPS increased by 17.5%, to $58.2 billion from $49.5 billion. Abney also successfully led the team that shaped the company's response after the holiday e-commerce rush in 2013 delayed deliveries by creating a $500 million capacity, technology and systems upgrade that yielded strong customer praise for 2014 holiday shipping performance.

### Core Challenges

Expand international sales and customer diversification in the face of aggressive competition; accelerate the use of technology to improve efficiency and customer service; meet the growing demands of e-commerce while managing higher costs.

### In the Words of Others

"David… mixes his deep breadth of knowledge with his humility. He has no plans to leave his roots behind him."

*- Jeff Rosensweig, Associate Professor, Emory University*
*The Courier-Journal, June 7, 2014*

**In his own words**

"In everything we do, we must first believe in ourselves. Sometimes that means ignoring the skeptics and those who are quick to say what's not possible. Confidence breeds commitment and commitment leads to what is possible."

## Mary Barra

**In her own words**

"Obviously this is not an industry for the weak of heart. It is highly competitive because there are really competent manufacturers out there that you have to respect. They can do great things."

| | |
|---|---|
| **Appointed** | January 15, 2014 |
| **Age at Appt.** | 52 |
| **Succeeded** | Dan Akerson |
| **Previous Role** | Executive Vice President, Global Product Development, Purchasing & Supply Chain |
| **Education** | MBA, Stanford University<br>BS, EE, Kettering University |

### Road to the Top

Joined General Motors as a co-op student 35 years ago.

### Track Record Highlights

Mary Barra is the first woman to lead a global automaker. She grew up in Detroit's car culture—her father was a die maker at GM's Pontiac Motor Division for 39 years. She has held a variety of leadership positions, including assembly plant manager, executive director of engineering, and VP of human-resources operations. As Executive VP of the company's world-wide product development group, Barra was responsible for the design, engineering, program management, and quality of GM vehicles around the world. In this role, she led the development of critically acclaimed models such as the seventh-generation Chevrolet Corvette, GM's new truck lineup, two new rear-wheel-drive Cadillac sedans, and the 2014 Chevrolet Impala.

### Core Challenges

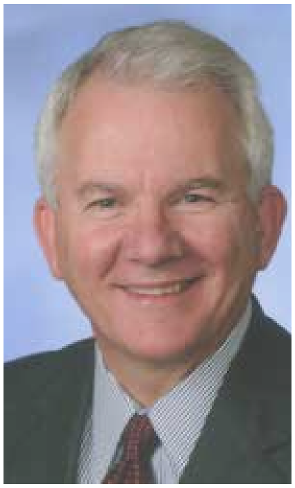
Solidify GM's improving financial performance after bankruptcy and bailout; accelerate product development; push overseas expansion while also navigating the massive recall that began as she took office in January 2014.

### In the Words of Others

"Mary is as strong as they come… She is the person to have there. She is as good as I've seen."

*- Warren Buffet*
*Forbes, September 18, 2014*

## Ronald (Ron) Armstrong



| | |
|---|---|
| **Appointed** | April 27, 2014 |
| **Age at Appt.** | 58 |
| **Succeeded** | Mark Pigott |
| **Previous Role** | President, PACCAR |
| **Education** | BS, Accounting,<br>University of Central Oklahoma;<br>Certified Public Accountant (CPA) |

### Road to the Top

Senior Manager at Ernst & Young, joined PACCAR 20 years ago.

### Track Record Highlights

Ron Armstrong is the first CEO since 1965 from outside the company's founding Pigott family. Armstrong was a senior manager at accounting firm Ernst & Young for 16 years before joining PACCAR, where he held a number of executive accounting and finance roles, including Controller and Comptroller, Principal Accounting Officer, and Principal Financial Officer, as well as EVP of Financial Services. He became President in 2011. During that time, Armstrong achieved a strong record of growing revenue and profit and enhancing the company's customer satisfaction and market share.

### Core Challenges

Continue to produce consistent earnings in the highly cyclical truck market; build on recent sales and profit gains.

### In the Words of Others

"Ron [is an] outstanding leader, who [has] contributed towards PACCAR's excellent record of profitable growth through the recent introduction of the most comprehensive range of new trucks and engines in PACCAR's history."

*- Mark Pigott, outgoing CEO*
*Company Press Release, December 17, 2013*

**In his own words**

"We will see a reasonably good demand for trucks in the foreseeable future…As long as the economy continues at a good growth pace, there will be the need for the movement of goods."

# When Boards Get Succession Right

By Richard Parsons
*Former Chairman & CEO, Time Warner; Director, The Estée Lauder Companies, Lazard Ltd., and Madison Square Garden; Senior Advisor, Providence Equity Partners, Inc.*

Ultimately, CEOs will be judged by whether they left their companies 'in good shape and in good hands'. Much of a CEO's focus is on the former, and this is as it should be. But CEOs are also responsible for providing the board with one or more individuals ready to take the helm. Good CEOs know this, and take the time they need to prepare a set of CEO candidates. CEO succession is a ten-year game—it takes that long to provide the experiences a leader needs to gain broad understanding of the business, a range of non-everyday experiences, and—with time—an outside-in, even worldly, perspective. It's not good practice to announce to a board an intention to retire in a year or two, and then start looking for an internal candidate. That's too late.

As this report shows, almost all CEOs today, unless the company is in trouble, are internally promoted. This means many companies are getting it right: developing their people and offering the board a compelling insider. To balance this inside view, most boards today follow the healthy practice of conducting what is called a 'desk audit' of outsiders. Boards should know the field, and know with whom their inside CEO candidates need to be compared. But once compared, most boards today—nine out of ten in the Fortune 250 according to this report by Feigen Advisors—choose inside.

Today, CEOs, boards, and HR leaders are working together to groom a generation of leaders capable of leading America's great companies in the decades ahead. As citizens, we are stakeholders in every way in the success of our largest companies, whether we own their shares or not. We should be proud of these new chief executives, be pleased with their progress, and work to promote the good governance and succession best practices which have given so many boards the confidence to elevate first-time leaders to the role of CEOs.

## Satya Nadella

| | |
|---|---|
| **Appointed** | February 4, 2014 |
| **Age at Appt.** | 46 |
| **Succeeded** | Steve Ballmer |
| **Previous Role** | EVP, Cloud and Enterprise Group |
| **Education** | MBA, University of Chicago |
| | MS, CS, University of Wisconsin |
| | BA, EE, Mangalore University |

### Road to the Top

Technologist at Sun Microsystems, joined Microsoft 22 years ago.

### Track Record Highlights

Born in Hyderabad, India, Satya Nadella is only the third CEO to lead Microsoft. Nadella came to the company in 1992 as a program manager in the Windows Developer Relations Group, and since then held senior positions in multiple company units, including VP of the Microsoft Business Division and President of the Server and Tools Business. As Senior VP of R&D for Online Services, he guided the development of one of the largest cloud infrastructures in the world, supporting Bing, Xbox, Office, and other products. Leading the Cloud and Enterprise unit, Nadella introduced a range of open source software products, growing group revenue by 22% and profits by 33%. As CEO, Nadella is leading Microsoft's turnaround with game-changing decisions that prioritize mobile and cloud software, with a focus on cross-platform support.

### Core Challenges

Lead Microsoft into new technology markets with innovative tools and services; launch the next-generation operating software Windows 10 to drive personal computers, smartphones and tablets; continue the strong growth trend in commercial cloud services.

### In the Words of Others

"Our view is very simple. [Nadella] is the guy who has been running the enterprise cloud and server businesses. We think those are the best businesses at Microsoft, so we think he's the one most likely to make strategic decisions that will optimize the value of that."

*- Michael Turits, Raymond James Analyst*
*February 4, 2014*

### In his own words

"Many who know me say I am also defined by my curiosity and thirst for learning. I buy more books than I can finish. I sign up for more online courses than I can complete. I fundamentally believe that if you are not learning new things, you stop doing great and useful things."

*- Email to Microsoft Staff, first day as CEO*
*February 4, 2014*

ORACLE

## Safra Catz & Mark Hurd

| | |
|---|---|
| **Appointed** | September 18, 2014 |
| **Age at Appt.** | Catz (52); Hurd (57) |
| **Succeeded** | Larry Ellison |
| **Previous Role** | Co-Presidents, Oracle |
| **Education** | **Catz:** Bachelor's, University of Pennsylvania<br>JD, University of Pennsylvania School of Law<br>**Hurd:** BA Business, Baylor University |

### Road to the Top

Catz was an investment banker, joined Oracle in 1999; Hurd was a veteran IT industry executive at NCR Corp. and Hewlett-Packard (HP), joined Oracle in 2010.

### Track Record Highlights

Catz came to Oracle as SVP, becoming a Director and then President in 2004, while also serving two stints as CFO. Catz guided the company through its $10.6 billion hostile takeover of PeopleSoft in 2005, and helped restructure Oracle following the 2000 tech bust. After more than two decades at NCR Corp., Mark Hurd became CEO of HP before moving to Oracle as co-president responsible for running the company's sales, service, and marketing organization. As co-presidents, Catz and Hurd ran day-to-day operations at Oracle while company founder Larry Ellison focused on technology.

### Core Challenges

Accelerate growth of the cloud computing businesses by developing new platforms and through technology acquisitions; increase revenue growth; develop specialized applications for the human resource and sales markets, and higher levels of security for cloud operations; invest in new database technologies.

### In the Words of Others

"In this theoretically unusual co-CEO structure, [Catz and Hurd] will in practice be able to make it work."

*- Brent Thill, UBS Securities*
*September 18, 2014*

**In her own words**

"We're No. 1 in database; we're No. 1 in middleware; but we're No. 2 in applications. At Oracle, silver medal is first loser."

**In his own words**

"The world is changing around you; don't ignore it. So my advice is this: Don't let your company get behind the innovation curve, because you won't have time to react."

## Steven Mollenkopf

| | |
|---|---|
| **Appointed** | March 4, 2014 |
| **Age at Appt.** | 46 |
| **Succeeded** | Paul Jacobs |
| **Previous Role** | President and COO, Qualcomm |
| **Education** | MS, EE, University of Michigan<br>BS, EE, Virginia Tech |

### Road to the Top

Qualcomm veteran with 20 years' experience.

### Track Record Highlights

Steve Mollenkopf is the first CEO from outside the founding Jacobs family in the company's 30-year history. He came to Qualcomm in 1994 as an engineer and has played key roles in developing multiple technologies and innovations. Leading the company's wireless chipset business, Mollenkopf was responsible for the launch of 4G technology, propelling Qualcomm to a leading LTE technology and chipset supplier. He also spearheaded the $3.1 billion acquisition of Wi-Fi chipmaker Atheros in 2011, allowing Qualcomm to expand to market segments beyond cellular. During Mollenkopf's tenure as COO, Qualcomm became a leader in mobile technology, including computing, graphics, and multimedia.

### Core Challenges

Maintain Qualcomm's position as the world's largest supplier of mobile-phone chips; expand the company's presence in China and emerging markets; replicate Qualcomm's success in mobile phones in new areas including cars and medical devices; push into the server market; manage activist shareholder pressure.

### In the Words of Others

"If I were the son of a founder of a $130 billion company, I would want to make sure I have the top guy behind me—and Steve [Mollenkopf] is definitely that guy."

*- Chris Rolland, FBR Analyst*
*Reuters, December 13, 2013*

**In his own words**

"The gap with what people want to do with the phone or phone technology, and what we're currently doing is pretty large. Cell-phone technology has barely made it into the car…into health care…into a lot of areas where it will go."

Time Warner Cable®

## Robert Marcus

| | |
|---|---|
| **Appointed** | January 1, 2014 |
| **Age at Appt.** | 48 |
| **Succeeded** | Glenn Britt |
| **Previous Role** | President and COO, Time Warner Cable |
| **Education** | JD, Columbia Law School |
| | BA, magna cum laude, Brown University |

**Road to the Top**

M&A lawyer, joined Time Warner Cable (TWC) 10 years ago from Time Warner, Inc.

**Track Record Highlights**

Rob Marcus began his career practicing law at the firm Paul, Weiss, Rifkind, Wharton & Garrison before moving to Time Warner, Inc. where he held senior positions including SVP Mergers and Acquisitions. Moving to Time Warner Cable in 2005, he was responsible for M&A, law, business affairs, programming and human resources. As CFO, he led the company's spinoff from Time Warner in 2009, as well as key acquisitions and mergers that expanded the company's market reach and services. As COO, Marcus completed the $3 billion acquisition of Insight Communications and enhanced TWC's network and infrastructure to provide customers with faster data speeds and multiplatform video products. Marcus became Chairman on January 1, 2014.

**Core Challenges**

Consider merger or acquisition options at a time of industry consolidation; improve pricing and packaging and develop new customer offerings, such as online video and data services, while maintaining a robust core cable product.

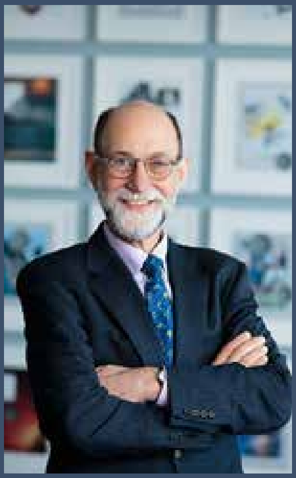
**In the Words of Others**

"The dynamics have definitely changed … [TWC] is definitely in the driver's seat now."

*- Kannan Venkateshwar, media analyst with Barclays*
*New York Times, April 29, 2015*

**In his own words**

"[We] are in the business of maximizing shareholder value, and we fully intend to fulfill that obligation. That could be achieved by running the business on a standalone basis, allocating capital smartly, managing our balance sheet, or engaging in M&A as an acquirer or a seller."



# A CEO's First 100 Days

By Michael Gross
*CEO of Finsbury*

For reputation, the first 100 days is critical for an incoming CEO. First impressions matter—both the actions and the tone set by new leaders during this period naturally come under great scrutiny. This is the opportune time to lay out priorities, frame the way in which success should be evaluated, and put in place the building blocks to achieve this success in addition to discussing earnings and business strategy with the financial community for the first time in this new role.

Ideally, the strategic priorities set forth by the CEO should be reinforced by a strong supporting team. Take the example of Howard Schultz, who returned to Starbucks in 2008 after an eight-year hiatus only to find a company that had lost its luster. His first act was to draw up an agenda to reignite an emotional attachment with customers. As he handed copies of his plan to senior executives, he asked: "Are you in, or are you out?" The naysayers were pushed toward the exit, while the believers helped Schultz pull off one of the most remarkable corporate turnarounds.

Candor is critical to building trust. The trick, of course, is not to overpromise. Early actions can have great symbolic value beyond their concrete business impact. In his first few months as CEO at Intel, Paul Otellini eased doubts about the company's product line by announcing that Apple would begin using Intel chips for the first time. And when Marissa Mayer joined Yahoo, she quickly distributed smartphones to employees, offered free meals at the cafeteria, and ended the company's work-from-home policy to signal her determination to change Yahoo's culture.

And that, perhaps, is the most critical objective for new CEOs—establishing what will distinguish them as leaders. The tone that new CEOs set at the outset in articulating priorities, the first actions they take to put their stamp on the company and the alliances they build to help support their agenda can create momentum that will help carry them through the challenges ahead. No one ever cements his or her legacy in the first 100 days, but the most successful new CEOs understand how to make every one of them count.

**In his own words**

"The mission is to take what is still, by many measures, the largest insurance company in the world and make it the most valued."

# Peter Hancock

| | |
|---|---|
| **Appointed** | September 1, 2014 |
| **Age at Appt.** | 55 |
| **Succeeded** | Robert Benmosche |
| **Previous Role** | CEO, AIG Property-Casualty |
| **Education** | BA, Politics, Philosophy and Economics, Oxford University |

### Road to the Top

Joined American International Group, Inc. (AIG) five years ago, continuing a long career in financial services.

### Track Record Highlights

Raised in Hong Kong, Peter Hancock spent 20 years at J.P. Morgan where he established the Global Derivatives group and ran the global fixed income business and global credit portfolio, eventually becoming CFO and Chief Risk Officer. He left J.P. Morgan in 2000 to start his own advisory firm specializing in strategic risk management, asset management, and innovative pension solutions. He then joined KeyCorp, a banking company in Ohio, serving as Vice Chairman. AIG tapped Hancock in 2010 to be Executive Vice President, Finance, Risk, and Investments. In that role, he was instrumental in AIG's recapitalization efforts, structuring a plan for the company to repay its obligations to the U.S. Federal Reserve and Treasury Department. A year later he was made CEO of the company's property casualty group.

### Core Challenges

Solidify AIG's return to stability and profitability by focusing on core businesses and delivering value to clients; enhance competitiveness and rebuild international operations; invest in IT, including new global underwriting platforms; reduce costs by integrating AIG's Japanese businesses; float or sell businesses that lack current or realizable potential synergy with core operations.

### In the Words of Others

"[Hancock's] particular skill is one-on-one, sleeves rolled up, digging into strategy. He can take a complex set of circumstances and figure out where's the real risk here."

*- Chris Gorman, President of Key Corporate Bank*
*Bloomberg Business, August 7, 2014*

## Christopher (Chris) Swift

| | |
|---|---|
| **Appointed** | July 1, 2014 |
| **Age at Appt.** | 53 |
| **Succeeded** | Liam McGee |
| **Previous Role** | Executive Vice President and CFO |
| **Education** | BA, Accounting, Marquette University<br>Certified Public Accountant (CPA) |

### Road to the Top

Senior leadership and finance roles in public accounting and insurance, joined The Hartford five years ago.

### Track Record Highlights

Christopher Swift began his career in public accounting at KPMG, becoming head of the firm's Global Insurance Practice. After moving to AIG, he was appointed CFO of Global Life and Retirement Services and served as Vice Chairman and CFO of ALICO before being named CFO of The Hartford in March 2010. Swift played a critical role in The Hartford's dramatic turnaround from a deep financial crisis and its strategic transformation into sharply-focused, fast-moving businesses. Through a series of business unit sales and capital management actions, he strengthened company finances and created greater capital flexibility. In March 2014, Swift orchestrated the sale of The Hartford's Japanese annuity subsidiary for nearly $900 million, which quickly reduced its risk profile. Throughout his tenure, he has been a leader of The Hartford's diversity and inclusion culture. Swift was named Chairman in January 2015.

**In his own words**

"CEO leadership requires a long-term perspective, customer focus, an exploratory mindset, and a commitment to the company's common vision—as well as the tenacity to stay the course despite bumps in the road."

### Core Challenges

Profitably grow the company's focused portfolio of businesses; further reduce the size and risk of the legacy variable annuity liabilities; and transform the company to increase operating effectiveness and efficiency.

### In the Words of Others

"[Swift] … has spent his career in [insurance]. He revels in its complexities, and is an expert on risk and capital management."

*- Shawn Tully*
*Fortune, June 13, 2014*

## Craig Menear

| | |
|---|---|
| **Appointed** | November 1, 2014 |
| **Age at Appt.** | 57 |
| **Succeeded** | Frank Blake |
| **Previous Role** | President, Home Depot's U.S. Retail division |
| **Education** | BA, Business, Michigan State University |

**In his own words**

"It's all about innovation. What's "new" sells."

### Road to the Top

Built career in retail, joined Home Depot 17 years ago.

### Track Record Highlights

Craig Menear is the first career retailer to run Home Depot since co-founder Bernie Marcus launched the home-improvement chain in 1978. Starting as a trainee at Montgomery Ward, Menear moved to IKEA and then started his own independent retail business before joining Home Depot's Southwest merchandising operation in 1997. He eventually took charge of the company's massive supply-chain reinvention and online retailing, growing online sales 50% in 2013 to $900 million, nearly one-fifth of Home Depot's $5 billion total sales growth. As President of U.S. Retail, Menear was responsible for 2,000 stores, the supply chain network, global sourcing and vendor network, marketing, and online sales. He was named Chairman in February 2015.

### Core Challenges

Leverage the more favorable macroeconomic environment to maintain sales growth momentum; provide seamless in-store and online shopping experience; ensure cybersecurity.

### In the Words of Others

"He has this global view of where Home Depot needs to be in the future, and he is a merchant."

*- Home Depot co-Founder, Bernie Marcus*
*Forbes, October 29, 2014*

# Rodney McMullen

| | |
|---|---|
| **Appointed** | January 1, 2014 |
| **Age at Appt.** | 53 |
| **Succeeded** | Dave Dillon |
| **Previous Role** | President and COO |
| **Education** | BBA, Finance, University of Kentucky<br>BS, Accounting, University of Kentucky<br>MS, Accounting, University of Kentucky |

### Road to the Top

Began his career as a part-time stock clerk at Kroger 36 years ago.

### Track Record Highlights

Rodney McMullen joined Kroger in 1978, rising through the ranks from financial analyst to senior roles, including CFO in 1995, followed by Executive Vice President of Strategy, Planning and Finance, and since 2009, President and COO. In these positions, he played a pivotal role in implementing Kroger's leveraged restructuring in 1988 in response to a hostile takeover bid, and as CFO he led the integration of the $13 billion Fred Meyer, Inc. acquisition in 1999. He has helped devise strategies to drive sales growth and steer the $2.4 billion acquisition of Harris Teeter Supermarkets in 2013. As CEO, McMullen acquired Vitacost.com for $280 million, bolstering Kroger's online and home-delivery operations. He was named Chairman of Kroger on January 1, 2015.

### In his own words

"The new era of supermarkets began ten years ago, when people started buying food in lots of places, not just supermarkets. We caught it pretty early but most other supermarkets did not."

### Core Challenges

Maintain sales growth against rivals Walmart, Amazon Fresh, and The Whole Foods Market; complete the integration of Harris Teeter and the company's push into the Southeastern U.S. market; expand e-commerce and technology platforms; explore new retail formats; expand offerings of fast-growing natural and organic food products.

### In the Words of Others

"[McMullen] was a key player on every major decision [at Kroger] after 1987…"

*- Bill Sinkula, former Kroger CFO*
*Cincinnati Enquirer, June 25, 2014*

## Barbara Rentler

| | |
|---|---|
| **Appointed** | June 1, 2014 |
| **Age at Appt.** | 56 |
| **Succeeded** | Michael Balmuth |
| **Previous Role** | President and Chief Merchandising Officer, Ross |

**In her own words**

"Our results continue to benefit from value-focused customers responding favorably to our fresh and exciting assortments of name-brand bargains."

### Road to the Top

Senior merchandising roles at Ross for 28 years.

### Track Record Highlights

Barbara Rentler joined Ross in 1986 and rose through the ranks in various merchandising positions at the discount retailer, including Chief Merchandising Officer at Ross's dd's Discounts, and EVP of merchandising with responsibility for all Ross apparel and apparel-related products. In 2009, Rentler became President and Chief Merchandising Officer of the company's Ross Dress for Less stores. Four years later Ross posted its highest-ever sales and earnings.

### Core Challenges

Revive sales growth in a deep discounting environment by continuing the company's strategy of low prices and no-frills stores; increase store count; leverage greater scale to offer better prices and merchandise to stay ahead of competitors.

### In the Words of Others

"[Rentler] was in a really critical role for her organization; she contributed to the success of her company, so she was in line for succession—that wasn't an accident."

*- Deborah Gillis, CEO Catalyst*
*Bloomberg, May 7, 2014*

# Brian Cornell

| | |
|---|---|
| **Appointed** | August 12, 2014 |
| **Age at Appt.** | 55 |
| **Succeeded** | Gregg Steinhafel[1] |
| **Previous Role** | CEO of PepsiCo Americas Foods |
| **Education** | BA, Political Science, UCLA<br>Attended UCLA Anderson School of Management |

### Road to the Top

Veteran food and consumer-products retail executive with 30 years' experience.

### Track Record Highlights

Brian Cornell joined Target after senior roles at leading retailers, and is the first outsider to lead the company in its 115-year history. As Safeway's Chief Marketing Officer, he oversaw the expansion of the supermarket chain's private-label products. While CEO of Walmart's Sam's Club, he turned around slumping same-store sales and transformed the warehouse chain into a top-growing division. He was also CEO of the arts and crafts chain, Michael's. Returning to PepsiCo, where he had worked previously, Cornell was responsible for key food brands, driving up sales 4% in 2012 and 5% in 2014. Taking over at Target from interim CEO John Mulligan, Cornell closed the company's loss-making Canadian operation, which led to an increase in Target's share price by more than 30% to new highs by the end of 2014. Cornell was named Chairman on July 31, 2014, concurrent with his appointment as CEO.

**In his own words**

"If we execute the plan over the next few years, you will say, 'Boy, Target made a huge transformation."

### Core Challenges

Return Target to its chic-cheap roots with stylish and affordable products; bolster e-commerce offerings; restore luster to its fashion and home-furnishings lines; attract new customers; ensure cybersecurity after the 2013 hacking; leverage data to drive sales; accelerate the pace of management decision-making.

### In the Words of Others

"He's seasoned … He understands how to build brands."

*- Brian Yarborough, Edward Jones*
*July 31, 2014*

1. *CFO John Mulligan served as interim CEO for roughly three months prior to Cornell's appointment as CEO.*

**In his own words**

"The big bet is that the customers are smart, and I am willing to make that bet anywhere in the world, any time."

## Douglas (Doug) McMillon

| | |
|---|---|
| **Appointed** | February 1, 2014 |
| **Age at Appt.** | 47 |
| **Succeeded** | Mike Duke |
| **Previous Role** | President and CEO, Walmart International |
| **Education** | MBA, Finance, University of Tulsa |
| | BS, Business Administration, University of Arkansas |

### Road to the Top

Walmart merchant with 24 years' experience at the company.

### Track Record Highlights

Doug began his career with a summer job unloading trucks before joining the company in 1990 while pursuing his MBA. An Arkansas native, McMillon has worked in all of the company's key businesses, rising from buyer trainee to divisional merchandise manager, and then assuming leadership roles in key company units. In 2006, he was named CEO of Sam's Club, which achieved sales of $46 billion annually during his tenure by focusing on new product lines and consumer groups. Three years later, McMillon became CEO of Walmart International, overseeing 6,400 stores in 26 countries and growing annual sales in the division to $135.2 billion, or 29% of the company's total. As CEO, he announced a large-scale, $1 billion wage hike for more than 500,000 employees and has been outspoken about diversity and inclusion in the company's workforce.

### Core Challenges

Boost sales in brick-and-mortar stores and online in a tough and rapidly evolving retail environment; upgrade and integrate e-commerce and mobile commerce offerings and services; innovate store formats; manage overseas expansion in strategic markets; continue investing in new technology.

### In the Words of Others

"It's a terrific move… He's an ideal candidate. He's born and bred in Walmart. He's checked all the boxes. He's innovative and tries new things."

*- Craig Johnson, Customer Growth Partners*
*MarketWatch, November 25, 2013*

# A Best Practice Handoff: The CEO Succession at Ford Motor Company

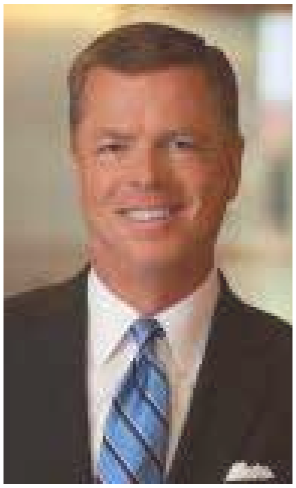
By Felicia Fields
*Chief Human Resources Officer, Ford Motor Company*

Ford received "high marks" when Mark Fields succeeded Alan Mulally because our CEO succession was planned and thoughtful. An organization's ability to achieve operational excellence and deliver business strategies requires continuity of leadership. Smooth and orderly transitions are not only good for investors, key stakeholders and employees, but they allow companies to build confidence, accelerate business plan outcomes and avoid uncertainty and business disruption.

In the absence of crisis, most companies favor internal successors and so pipeline development and well-executed transitions should be amongst the greatest priorities for CEOs, Boards, and Chief HR Officers. And in high performing companies, evolutionary changes are preferred to revolutionary ones. Building onto a well-deployed plan allows the organization to stay focused on accelerating progress and creating an even more compelling vision.

Although most agree that organization success is highly dependent on effective leadership transition, many companies have no formal CEO succession plans, or their plans are "check the box" exercises that don't hold up when critically needed. Smooth transitions happen at the top when robust succession planning processes sit beneath them. Strong succession planning ensures that all relevant stakeholders are involved, there is transparency about performance and expectations, and hand-overs between the existing and future CEO are skillfully managed through development, planning and communication. In addition, the process should ensure that successors deeply understand the organization's culture, business operating system, and the behavioral enablers that make the organization work effectively as one team. For example, before he became CEO, Mark Fields ran Ford's business operating review as COO for more than a year—strong preparation for the CEO role.

For the best outcomes, CEOs and CHROs must focus on transitioning both the leader and the leadership culture.



## Thomas Joyce, Jr.

| | |
|---|---|
| **Appointed** | September 9, 2014 |
| **Age at Appt.** | 54 |
| **Succeeded** | H. Lawrence Culp, Jr. |
| **Previous Role** | Executive Vice President, Danaher |
| **Education** | BS, Economics, College of the Holy Cross |

### Road to the Top

Veteran Danaher executive, with more than 20 years' cumulative experience.

### Track Record Highlights

Thomas P. Joyce, Jr. began his career at Andersen Consulting before joining Danaher in 1989 as a Marketing Project Manager in the Tool Group. He subsequently held leadership positions with several Danaher subsidiary companies including Delta Consolidated Industries and Hach Company, and then became Group Vice President and Group Executive and Corporate Officer at Danaher in 2002. Joyce was responsible for Danaher's Water Quality platform and Life Sciences & Diagnostics segment, increasing revenue from $400 million to almost $2 billion and leading major acquisitions, including the $6.8 billion acquisition of Beckman Coulter. As CEO, he bought Swiss company Nobel Biocare in 2014 for $2.25 billion, and in May 2015 announced the $13.6 billion deal to acquire filtration-equipment maker Pall Corp., as part of the spin-off of Danaher into separate units for industrial holdings (NewCo) and another for science, healthcare, and technology (of which Joyce remains CEO).

**In his own words**

"We are encouraged by our increased M&A activity of late…We are not stuck on percentages and we absolutely moved to where we can add the greatest value for our shareholders by making those portfolio moves that come our way…"

### Core Challenges

Complete the spin-off of Danaher into industrial and science-and-technology companies and the integration of Pall; maintain robust sales growth and operating margins.

### In the Words of Others

"[Joyce] is the ideal candidate to become just the fourth CEO in the company's 30-year history."

*- Steven Rales, Danaher Chairman*
*Company Press Release, April 16, 2014*

# John Cahill

| | |
|---|---|
| **Appointed** | December 28, 2014 |
| **Age at Appt.** | 57 |
| **Succeeded** | Tony Vernon |
| **Previous Role** | Chairman of the Board, Kraft Foods Group |
| **Education** | MBA, Harvard Business School |
| | AB, Economics, Harvard University |

### Road to the Top

Senior roles at PepsiCo and CEO of Pepsi Bottling Group for nearly 20 years, joined Kraft in 2012.

### Track Record Highlights

John T. Cahill began his career in 1979 at RKO General and eventually became CFO of RKO Pictures. He moved to PepsiCo in 1989, taking senior positions as Treasurer and CFO at PepsiCo and KFC. Cahill then became Chairman and CEO of Pepsi Bottling Group. He moved to Kraft as Executive Chairman ahead of its October 2012 spinoff from the global snacks company Mondolez International, transitioning to Non-Executive Chairman as Kraft stabilized after the spin, and was then named CEO. In this position he initiated a management shake-up, and engineered the $49 billion deal with Brazilian investment bank 3G Capital and Berkshire Hathaway to merge Kraft with H.J. Heinz in March 2015. Cahill will be Vice Chairman of the combined Kraft Heinz Company, which has nearly $28 billion in annual sales and a market value of more than $80 billion. Kraft's share price soared 36% following the announcement.

**In his own words**

"The industry is undergoing a great deal of rapid change, and it is important that we keep pace and indeed stay ahead of these changes as we build a stronger Kraft."

### Core Challenges

Integrate the two food and beverage giants, leveraging Heinz's global footprint and Kraft's large domestic market; revitalize brands at a time of changing consumer tastes; achieve cost savings through synergies, more efficient operations, and economies of scale.

### In the Words of Others

"[Cahill] is a student of strategy."

*- Steve Reinemund, former PepsiCo CEO*
*The Wall Street Journal, December 18, 2014*

Actavis

**In his own words**

"The idea that to play in the big leagues you have to do drug discovery is really a fallacy. You have to do research; you have to be committed to innovation. I strongly believe that, but discovery has not returned its cost of capital."

## Brenton (Brent) Saunders

| | |
|---|---|
| **Appointed** | July 1, 2014 |
| **Age at Appt.** | 43 |
| **Succeeded** | Paul Bisaro |
| **Previous Role** | CEO, Forest Laboratories (acquired by Actavis) |
| **Education** | JD, Temple University School of Law<br>MBA, Temple University<br>BA, Economics, University of Pittsburgh |

### Road to the Top

Senior positions in healthcare, leading Bausch & Lomb and Forest Laboratories.

### Track Record Highlights

A lawyer by training, Brent Saunders worked as a Partner at PriceWaterhouseCoopers and was Chief Risk Officer at Coventry Health Care before joining Schering-Plough in senior executive roles, including President of Global Consumer Health Care. He also served as Head of Integration for Schering-Plough's $41 billion merger with Merck & Co. and its $16 billion acquisition of Organon BioSciences. Taking over as CEO of troubled private equity-backed eye-care company Bausch & Lomb in 2010, he drove annual sales growth of 9% and launched 34 new products, eventually selling the company to Valeant Pharmaceuticals for $8.7 billion. Saunders became CEO of Forest Laboratories in 2013, which was acquired by Actavis in July 2014 for $26.5 billion. As CEO of Actavis, Saunders completed the $66 billion acquisition of Botox-maker Allergan, creating one of the leading global pharmaceutical companies by market value.

### Core Challenges

Integrate the newly acquired businesses; increase sales growth through new products like Botox Migraine; contain costs; remain competitive in the generic drug sector.

### In the Words of Others

"When I met him, in my mind, he stood out right at the top."

*- Carl Icahn*
*Forbes, February 9, 2014*

Raytheon

## Thomas Kennedy

| | |
|---|---|
| **Appointed** | March 31, 2014 |
| **Age at Appt.** | 58 |
| **Succeeded** | William H. Swanson |
| **Previous Role** | EVP & Chief Operating Officer |
| **Education** | PhD, Engineering, UCLA<br>MS EE, Air Force Institute of Technology<br>BS EE, Rutgers University |

### Road to the Top

Joined Raytheon 32 years ago after serving in the U.S. Air Force.

### Track Record Highlights

A former U.S. Air Force captain, Tom Kennedy began his career at Raytheon as an engineer on the B-2 bomber radar development program. He later ran Raytheon's Integrated Defense Systems unit, responsible for a broad portfolio of weapons, sensors, and integration systems. As COO, he streamlined Raytheon business segments to align with customer priorities, and boosted international operations with the Global Business Services Unit group. As CEO, Kennedy bought Websense for $1.7 billion in 2015, which will become a cybersecurity joint venture with forecast sales of $500 million. Kennedy was named Chairman in October 2014.

### Core Challenges

Pioneer new technologies and systems solutions for new customers and markets such as cybersecurity; broaden Raytheon's global presence; provide innovative solutions in core segments including electronic warfare, air and missile defense; continue key investments in R&D; capture key technology markets despite a downturn in defense spending.

### In the Words of Others

"Kennedy is just like the company where he has spent much of his adult life: focused. He's all about business … [and] positioning Raytheon to dominate key technology markets for the foreseeable future."

*- Loren Thompson, Forbes National Security Contributor*
*Forbes, May 12, 2015*

**In his own words**

"The five-plus years I spent in the Air Force instilled in me a level of discipline, technical know-how, and confidence that were indispensable to my career as an engineer."

# Partnering with Your Board

By Clarke Murphy
*CEO of Russell Reynolds Associates*

Almost all new CEOs today will find a more engaged board. Managed well, this can add strength to a company. Many new CEOs report working with their board one of the most rewarding aspects of the role. But many too will find it challenging. All will learn that it takes time and diligence. A CEO is at the same time subservient to the board—the board is after all his or her boss—but also expected to help shape the board: to play a role in selecting future directors, and even to provide feedback to directors who may not be pulling their weight. Below are best practices gleaned from CEOs who have developed strong and trusted relationships with their boards:

First, in our experience, CEOs who work well with their boards develop both a professional and a personal relationship with each director. They understand what each director cares about, and are responsive to each director individually. Strong CEOs treat the board as a collective of individuals, each of whom matters.

Secondly, CEOs know never to surprise their board. The best CEOs are transparent and open about risks and issues and willing to confide in their board. They trust their board and allow themselves to be vulnerable. When CEOs posture in the boardroom, it is quickly apparent and can create an unnecessary wedge between the board and the CEO.

Third, CEOs treat the relationship with their board as a priority and are willing to learn and improve. They ask for feedback from the Lead Director and others on the board whom they believe can give them thoughtful advice.

Fourth, strong CEOs work well with each of the board leaders, not just the lead director or the chairman, but also the committee chairs, and invite them into important conversations about strategy, direction, and problem solving.

Great CEOs view excellence in governance as a bulwark for their company, helpful in fair winds, but even more helpful when the seas get stormy. A CEO who has invested the time, energy, and openness with his or her directors individually and collectively has a board that is fully behind him when times are difficult, when markets may toughen, during a crisis, or when short-term activist defense is required. CEOs who follow these practices will find, over time, that the board 'has their back.'

# Joseph (Joe) Gorder

| | |
|---|---|
| **Appointed** | May 1, 2014 |
| **Age at Appt.** | 56 |
| **Succeeded** | Bill Klesse |
| **Previous Role** | President & COO |
| **Education** | MBA, Our Lady of the Lake University<br>BA Business, University of Missouri-St. Louis |

### Road to the Top

Veteran energy industry executive, with 27 years' experience at Valero and predecessor companies.

### Track Record Highlights

Joining Valero from Diamond Shamrock and Ultramar Diamond Shamrock, which were acquired by Valero, Joe Gorder was responsible for marketing and supply, corporate development, and strategic planning. At Valero, he served as Chief Commercial Officer and President of Valero Europe, overseeing commercial trading and related activity for the company, and supervising traders who purchased crude oil for Valero's refineries. He was also responsible for all operations in the U.K. and Ireland. As COO, Gorder's focus was on refining operations and commercial operations in marketing, supply, and transportation. He was named Chairman of Valero on December 31, 2014.

### Core Challenges

Continue growth investments in infrastructure and logistics; increase the capability to access and process advantage crude oil for flexible refining system; manage growing volatility in the ethanol market; maintain operations excellence, reliability, and safety.

### In the Words of Others

"[Joe] has got great leadership skills, and he very much represents the culture of Valero, and I think that's awfully important. He's compassionate, and he works well with people no matter what their positions are. He develops respect and you like him, you know? He's a good communicator."

*- Former Valero Board Member, Bob Marbut*
*Houston Chronicle, December 24, 2012*

**In his own words**

"I think we are going to be in for an extended period of what I call natural resource advantaged times."

NATIONAL OILWELL VARCO

In his own words

“I really try to solicit opinions from others and be inclusive in those decisions.”

## Clay Williams

| | |
|---|---|
| **Appointed** | February 27, 2014 |
| **Age at Appt.** | 51 |
| **Succeeded** | Merrill A. “Pete” Miller |
| **Previous Role** | President and COO, National Oilwell Varco |
| **Education** | BS, Civil Engineering, Princeton University<br>MBA, University of Texas at Austin |

### Road to the Top

Oil industry veteran, joined National Oilwell Varco (NOV) 18 years ago.

### Track Record Highlights

Clay Williams began his oil career as an engineer at Shell before receiving his MBA and working briefly for private equity firm SCF Partners. He came to National Oilwell Varco in 1997, taking on senior positions, including director of corporate development and VP of pipeline services before becoming CFO in 2005, and then President and COO in 2012. Williams became CEO as the company completed the spinoff of NOV’s distribution business and the reorganization of NOV into three more decentralized internal operating units. He was named Chairman on May 30, 2014.

### Core Challenges

Meet demand for land-drilling rigs as shale production increases, and build out the offshore, deep-water rig fleet to meet growing market demand; expand operations in the Middle East, West Africa, Brazil, China, and Southeast Asia, especially for shale; manage the downturn in orders for drilling parts caused by the oil price slump.

### In the Words of Others

“Williams is well suited to lead the firm, having served as the firm’s CFO and more recently COO, as well as a member of the board. We consider him to be an excellent judge of value and a very good capital allocator.”

*- Morningstar Report*
*February 10, 2015*

# Seifollah (Seifi) Ghasemi

| | |
|---|---|
| **Appointed** | July 1, 2014 |
| **Age at Appt.** | 69 |
| **Succeeded** | John E. McGlade |
| **Previous Role** | Chairman and CEO, Rockwood Holdings<br>Director, Air Products |
| **Education** | MS, Mechanical Engineering, Stanford University<br>BS, Abadan Institute of Technology |

### Road to the Top

Global business leader and CEO of specialty chemicals company Rockwood Holdings, joined Air Products board in 2013.

### Track Record Highlights

Seifi Ghasemi has led major industrial companies, including the UK-based firms GKN and GKN Sinter Metals, and spent 20 years at The BOC Group, a global industrial gas company. In 2001, he became Chairman and CEO of Rockwood Holdings. There, he sold the non-strategic businesses for almost $4 billion to focus on lithium amid rising demand for rechargeable batteries. Ghasemi was appointed CEO and Chairman of Air Products after the company came under pressure from activist investor William Ackman for a management shake-up. As CEO, Ghasemi has reorganized the company into seven operating units.

### Core Challenges

Regain company's leadership position; focus on projects that generate greater cash flow and improve ROIC; complete the restructuring of the organization and eliminate management layers; increase speed of decision-making and expand entrepreneurial capabilities.

### In the Words of Others

"[Ghasemi's] track record of creating value at Rockwood will likely be well received by Air Products investors who are expecting him to be the catalyst for improved operational performance, profitability and return on capital."

*- James Sheehan, Suntrust, Robinson Humphrey Inc.*
*Bloomberg, June 18, 2014*

**In his own words**

"It's all about people…the only element of long-term competitive advantage is the degree of commitment and motivation of people. That is the only way you can win."

**In his own words**

"We live in a challenging world today… the winners and losers will be defined by who innovates."

## Mark Costa

| | |
|---|---|
| **Appointed** | January 1, 2014 |
| **Age at Appt.** | 47 |
| **Succeeded** | James P. Rogers |
| **Previous Role** | President of Eastman Chemical and Chief Marketing Officer |
| **Education** | MBA, Harvard Business School<br>BS, Economics and Pre-Medicine, UC Berkley |

### Road to the Top

Consultant at Monitor, joined Eastman Chemical nine years ago.

### Track Record Highlights

Mark Costa came to Eastman Chemical in 2006, having previously served the company as a senior partner at Monitor, the strategy and consulting firm. In this role, Costa led a Monitor team that developed strategies for propelling Eastman to the greatest period of growth in the company's history. At Eastman, Costa held a number of executive positions responsible for growth strategies, global supply chain, specialty products, the company's Polymers Business Group, and corporate innovation and sustainability initiatives. Costa has also been Chief Marketing Officer since 2008, and he was named Chairman in July 2014.

### Core Challenges

Drive growth through innovation, world-class technology platforms, and acquisitions; expand the company's presence globally and in attractive niche markets; attract and retain the best talent.

### In the Words of Others

"[Costa] is a proven leader who has been instrumental in developing and executing Eastman's strategic plans for growth."

*James Rogers, outgoing CEO*
*May 14, 2013*

# Scott Prochazka

| | |
|---|---|
| **Appointed** | January 1, 2014 |
| **Age at Appt.** | 47 |
| **Succeeded** | David M. McClanahan |
| **Previous Role** | Chief Operating Officer |
| **Education** | BS Chemical Engineering, University of Texas |

### Road to the Top

Executive positions at Dow Chemical, joined CenterPoint Energy (CenterPoint) in 2001.

### Track Record Highlights

A chemical engineer by training, Scott Prochazka worked at Dow Chemical in a variety of roles before coming to CenterPoint in 2001 during the height of Texas's electricity deregulation process. He has held key leadership roles in corporate strategic planning, business development, gas operations, and customer service, and was responsible for the company's electric and natural gas utility businesses. Named COO in 2012, Prochazka led the creation of the $11 billion Enable Midstream joint venture to operate the company's midstream business.

### Core Challenges

Strengthen the strategic vision after spinning off the company's midstream business; focus on technology to improve reliability of energy delivery to customers in the Houston area; expand CenterPoint's regional footprint; manage the approval and implementation of the $590 million Houston Import Project to add more transmission lines and electricity capacity to the region.

### In the Words of Others

"Scott has helped us achieve strong financial and operational performance in our business units, and he has a good depth of experience from leading both our electric and natural gas utility businesses."

*- David McClanahan, former CEO, CenterPoint*
*CenterPoint Press Release, October 29, 2013*

**In his own words**

"Our vision is to be the leading energy delivery company…focused on making sure the customer has a good experience and that we use technology in a way that enhances that experience."

# **The Next Step:** Transitioning to a Post-CEO Career

By Ron Williams,
*Former Chairman and CEO, Aetna Inc.; Director, American Express, Boeing, and Johnson & Johnson; Advisor, Clayton, Dubilier & Rice*

A CEO's personal planning for his or her post-CEO career is an integral yet unsung component of a successful CEO succession process.  With careful planning, CEOs have a myriad of career options upon stepping down—private equity, venture capital, consulting, teaching, serving as a director of a public or private company and/or involvement with charitable organizations are some of the natural opportunities.

Planning to step down can be difficult.  Corporate jets and private cars are a lot more appealing than waiting in line at security or waiting for an Uber. For many CEOs, life on the golf course does not seem like enough.  However, with advanced planning, a CEO can go through the process of first choosing an active post-CEO career, then planning ahead and finally looking for a fit.

Post-retirement work is generally not easy—it is more than serving on the board of a portfolio company, though less than being a full-time executive.  But there are rewards, both psychological and financial, in direct proportion to the degree of engagement.

From my personal experience, as CEO of Aetna, I was a buyer of portfolio companies and also a participant in the value-creation process.  When I retired from Aetna, I chose a very active post-CEO career.  I became chairman of four companies. Joining the private equity world was a natural fit.  I was able to continue doing what I'd been doing:  bringing my experience to bear to ensure that business potential was fully realized.  I discovered that not only does private equity provide capital and ideas—it also harnesses business experience and insight in order to create value.

If enough business leaders seize opportunities upon retiring, the impact could easily reach beyond individual businesses.  Think about the senior business leadership cohort of the S&P 250 companies (a total of 1,250 current CEOs, COOs and division heads).  Like me, these leaders will only be retiring from corporations, but not from work and not from value creation.  Their impact could be transformative—a steady, sustainable flow of battle-hardened executives who can help fuel growth, not just for individual companies but for the entire U.S. economy, public sector included.

Congratulations to the CEOs retiring in 2014 for a job well done—we wish you best luck.

# R. Milton Johnson

| | |
|---|---|
| **Appointed** | January 1, 2014 |
| **Age at Appt.** | 57 |
| **Succeeded** | Richard M. Bracken |
| **Previous Role** | President and CFO, HCA |
| **Education** | BBA in Accounting, Belmont University |

### Road to the Top

Veteran healthcare executive with more than 30 years' experience, mostly at Hospital Corporation of America (HCA).

### Track Record Highlights

Milton Johnson joined the tax department of HCA in 1982 after several years at Ernst & Young. He advanced through the ranks, taking senior roles as head of the company's Tax Department, Controller, and then became CFO in 2004 and President in 2011. During this time, HCA was taken private twice, most recently in 2006 through a $33 billion leveraged buyout; in 2011, the hospital operator became public again, raising $3.8 billion. Under his leadership, the $36 billion integrated health system has seen a steady advancement in its clinical agenda and improving performance during a time of major upheaval in the industry. Johnson was named Chairman in December 2014.

### Core Challenges

Continue improving the patient experience, quality of service, satisfaction, and health outcomes; navigate the shifting legal and regulatory framework of the Affordable Care Act, including tax subsidies customers use to buy coverage, and Medicaid reimbursement; increase investments in technology and human-resource systems to improve profitability.

### In the Words of Others

"Milton has a strong commitment to HCA's patient-centric culture, and … will bring a balanced approach to this role, with an equal emphasis on clinical performance and operational excellence."

*- Dr. Thomas F. Frist, Jr., founder of HCA*
*StreetInsider.com, July 29, 2013*

**In his own words**

"… I came from the financial side, so it's easy to get caught up in Wall Street expectations and investor expectations, but at the end of the day, why we exist as a company is for the care and improvement of human life."

**In his own words**

"In order to win tomorrow and be better than our competition, we have to change how we do our jobs and go to market. … It may or may not be very soon, but there will be a healthy dose of change during my time."

## Mark Sutton

| | |
|---|---|
| **Appointed** | November 1, 2014 |
| **Age at Appt.** | 53 |
| **Succeeded** | John V. Faraci |
| **Previous Role** | President and COO |
| **Education** | BS Electrical Engineering, Louisiana State University |

### Road to the Top

An International Paper (IP) veteran, with 30 years' experience.

### Track Record Highlights

Mark Sutton joined IP in 1984 as an engineer at the company's Pineville, Louisiana mill. He became a mill manager, and then assumed leadership roles in Europe as Director of corrugated packaging operations and General Manager responsible for the EMEA region. Sutton also held senior positions for corporate strategic planning, global supply chain, and printing and communications papers, Americas. Appointed in 2011 as Senior VP, industrial packaging, Sutton exceeded synergy targets, and was regarded as the architect of International Paper's $4.5 billion acquisition and integration of Texas rival Temple-Inland, Inc. in 2012. Sutton was named Chairman of the IP Board on January 1, 2015.

### Core Challenges

Continuing IP's international expansion strategy and finding areas of attractive growth; managing capital allocation; and maintaining the balance between paper/pulp operations and the packaging businesses.

### In the Words of Others

"Under Mark's leadership, I am confident that International Paper's best days are ahead."

*- John Faraci, outgoing CEO*
*Company Press Release, August 9, 2014*

## Gregory (Greg) Hayes

| | |
|---|---|
| **Appointed** | November 23, 2014 |
| **Age at Appt.** | 54 |
| **Succeeded** | Louis Chênevert |
| **Previous Role** | Senior Vice President and CFO of UTC |
| **Education** | BS Economics, Purdue University<br>Certified Public Accountant (CPA) |

### Road to the Top

Joined United Technologies (UTC) 16 years ago, following a decade at Sundstrand Corporation.

### Track Record Highlights

Greg Hayes came to UTC through its $4.3 billion merger with Sundstrand Corporation in 1999, where he had served as Vice President, Finance, for Sundstrand Aerospace. At UTC, Hayes held positions including Vice President and Controller, Vice President, Accounting and Controls, as well as Investor Relations before becoming CFO in 2008. He was named CEO following the unexpected departure of his predecessor, as the Board turned to a seasoned insider with a strong knowledge of the company's strategic operations. Hayes immediately laid out a plan to examine the underlying assumptions of all the portfolio businesses at the $105 billion company.

### Core Challenges

Manage a challenging growth environment, especially in China and Europe; balance major acquisitions and explore options for UTC's Sikorsky helicopter unit; drive revenue growth and lift profit margins by accelerating development of innovative technologies in the company's mature jet-engine and building-services industries.

### In the Words of Others

"[Hayes] was one of the most operating-oriented CFOs in the country."

*- Peter D. Crist, Crist/Kolder Associates*
*The Wall Street Journal, November 24, 2014*

**In his own words**

"Whatever we need to do to increase shareowner value, we will do those things, no matter how difficult."

# Terry Spencer

| | |
|---|---|
| **Appointed** | January 31, 2014 |
| **Age at Appt.** | 54 |
| **Succeeded** | John W. Gibson |
| **Previous Role** | President, ONEOK and ONEOK Partners |
| **Education** | BS, Petroleum Engineering,<br>University of Alabama in Tuscaloosa |

**In his own words**

"This is not the first time that we [as an] experienced management team and skilled employees have faced a challenging and uncertain market environment … we are confident that we will emerge as a better and stronger company."

### Road to the Top

Joined ONEOK in 2001, after senior roles in the natural gas industry.

### Track Record Highlights

Terry K. Spencer has spent his career in the natural gas industry. He joined ONEOK as a Project Development Director for natural gas gathering and processing, and later became Senior Vice President of ONEOK's natural gas liquids business after ONEOK acquired it from Koch. He also served as President of Natural Gas Liquids, and as EVP of ONEOK. As COO of ONEOK Partners, he oversaw the partnership's three operating segments: natural gas gathering and processing, natural gas pipelines, and natural gas liquids. In July 2014, ONEOK's share price surged 26% after the company announced the spinoff of its utility business to a new gas distribution company, ONE Gas, servicing Oklahoma, Kansas, and Texas.

### Core Challenges

Allocate resources and set priorities for the re-focused company now that the utilities businesses have been spun off; manage costs and guide the company during a period of uncertainty and volatility in commodity pricing; deal with the environmental concerns relating to fracking.

### In the Words of Others

"ONEOK is not the gas utility that it was 10 years ago; this is the most efficient use of capital … they have something clean and transparent, and the market applauds the move."

*- Carl Kirst, BMO Capital Markets*
*The Journal Record, July 25, 2013*

# Class of 2014 Collective Data Analysis

# 2014 New CEO Summary

| *S&P 250 Company* | *CEO* | *2014 CY Revenue ($B)* | *Market Cap ($B) as of 12/31/2014* |
|---|---|---|---|
| Wal-Mart Stores Inc. | Douglas (Doug) McMillon | $485.7 | $276.8 |
| General Motors Company | Mary Barra | 155.9 | 56.2 |
| Ford Motor Company | Mark Fields | 144.1 | 59.7 |
| Valero Energy Corporation | Joseph (Joe) Gorder | 130.8 | 25.8 |
| The Kroger Company | Rodney McMullen | 108.5 | 31.5 |
| Microsoft Corporation | Satya Nadella | 93.5 | 382.9 |
| The Home Depot, Inc. | Craig Menear | 83.2 | 138.3 |
| Target Corporation | Brian Cornell | 72.6 | 48.4 |
| United Technologies Corporation | Gregory (Greg) Hayes | 65.1 | 104.8 |
| American International Group, Inc. | Peter Hancock | 63.6 | 78.2 |
| United Parcel Service, Inc. | David Abney | 58.2 | 100.6 |
| Oracle Corporation | Safra Catz; Mark Hurd | 38.8 | 197.5 |
| HCA Holdings, Inc. | R. Milton Johnson | 36.9 | 31.8 |
| QUALCOMM Incorporated | Steven Mollenkopf | 27.0 | 123.6 |
| International Paper Company | Mark Sutton | 23.6 | 22.7 |
| Raytheon Company | Thomas Kennedy | 22.8 | 33.4 |
| Time Warner Cable Inc. | Robert Marcus | 22.8 | 42.7 |
| National Oilwell Varco, Inc. | Clay Williams | 21.4 | 28.2 |
| Danaher Corporation | Thomas Joyce, Jr. | 19.9 | 60.2 |
| PACCAR Inc. | Ronald (Ron) Armstrong | 19.0 | 24.1 |
| The Hartford Financial Services Group, Inc. | Chris Swift | 18.5 | 18.0 |
| Kraft Foods Group, Inc. | John Cahill | 18.2 | 36.9 |
| Actavis PLC (*now Allergan PLC*) | Brenton (Brent) Saunders | 13.1 | 68.2 |
| ONEOK Inc. | Terry Spencer | 12.2 | 10.4 |
| Ross Stores Inc. | Barbara Rentler | 11.0 | 19.7 |
| Air Products & Chemicals Inc. | Seifollah (Seifi) Ghasemi | 10.5 | 30.8 |
| Eastman Chemical Company | Mark Costa | 9.5 | 11.3 |
| CenterPoint Energy, Inc. | Scott Prochazka | 9.2 | 10.1 |

# The CEO Class of 2014

New CEOs run enterprises that collectively equal

$1.8 Trillion Revenue

or the equivalent of the entire economy of India.

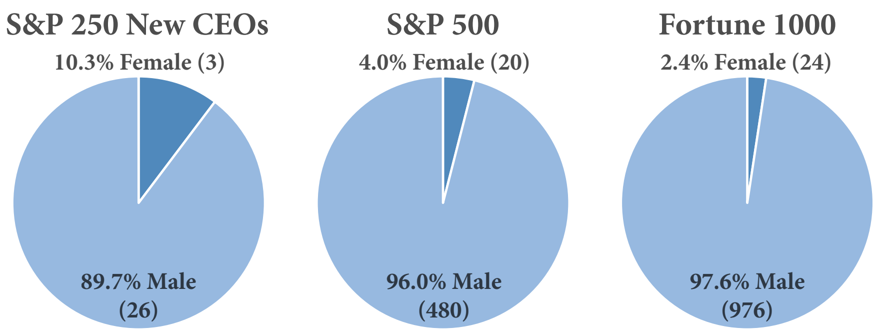
5.3 Million Jobs

$2.1 Trillion Market Cap

In 2014, 29 new Chief Executive Officers took over companies in the S&P 250, a turnover of just over 11%. Together these CEOs are responsible for $1.8 trillion in revenue, $2.1 trillion in market capitalization, and 5.3 million employees worldwide.

Many transitions were seamlessly managed internally, such as the succession at Ford Motor Company. Others resulted from a global search, including the choice of Satya Nadella at Microsoft. Three CEOs came up the hard way, starting with humble jobs at the companies they would eventually lead: David Abney of UPS started as a part-time package loader; Kroger's W. Rodney McMullen began his career as a stock clerk; and Doug McMillon of Walmart got his start unloading trucks. Stability was a hallmark—Chris Swift, an expert on risk and capital management, leads The Hartford into its third century.

*Leaning Forward - Percentage of Female CEOs in Major Indices*

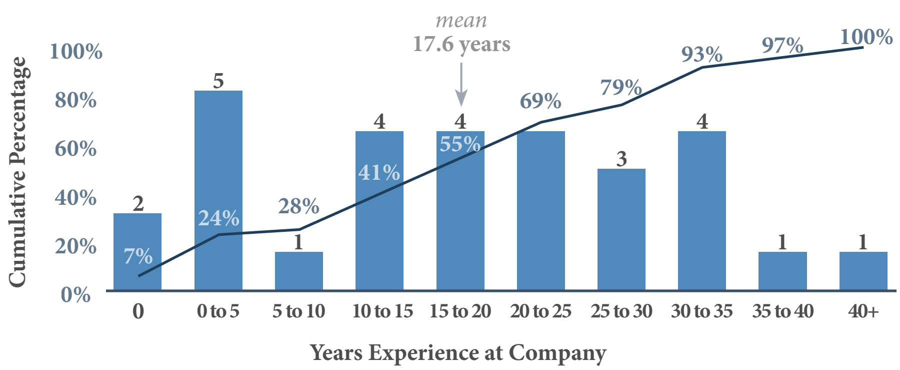



More women lead larger rather than smaller businesses. Mary Barra is the first woman to run a major auto company. Safra Catz at Oracle and Barbara Rentler at Ross lead firms in software and retail—each after working at their companies an average of 26 years.

# A Story of Insiders

Insiders dominate our CEO report, as boards opted for selecting leaders with deep knowledge of the companies they would run. Approximately 90% of the new CEOs had experience at the company prior to becoming CEO, and 70% had internal tenures of a decade or more. And a full one-third of the CEOs spent more than a quarter of a century at the company (only five had less than five years experience, with two joining as directors).

*CEO Tenure at Company (Number of CEOs by Years Experience)*




*Reaching Outside*

When an outsider was brought in as a potential CEO successor, a few years before leading the company, boards picked someone with industry expertise (AIG's Peter Hancock, Chris Swift at The Hartford, and Mark Hurd at Oracle). In a similar way, the two CEOs who were company outsiders—Brian Cornell at Target, and Saunders at Actavis—were also veterans in their respective industries.

Four CEOs in this year's report are the first to lead their companies from outside the company's founding family, or in the case of Oracle, the founder himself, Larry Ellison. At Oracle, Qualcomm, Target, and PACCAR, boards selected executives without direct ties to the founding families.

## 89.7% Insiders

Nearly 90% of the CEOs came from inside the company, of which 81% had been at the company for more than 5 years.

## A Quarter Century

Nearly a third of the CEOs spent over 25 years working at the company.

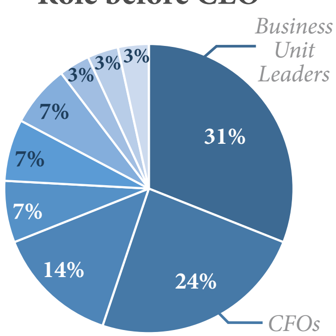
# Engineers & MBAs

Engineering degrees held the top spot amongst undergraduates (28%). For postgraduate degrees, MBAs were most popular (31%).

# From CFO to CEO

More than a third of the new CEOs had CFO experience.

**Role before CEO**

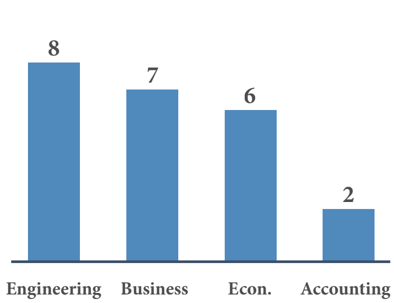



| | |
|---|---|
| Business Unit Leader | (9) |
| CFO | (7) |
| Independent/Public CEO | (4) |
| Subsidiary CEO | (2) |
| Regional Leader | (2) |
| Merchandising | (2) |
| Product Development | (1) |
| Marketing | (1) |
| Technology / R&D | (1) |

# Educational Backgrounds

*Education by Type of Degree**

**Undergraduate Degrees**




**Postgraduate Degrees**


Business and engineering were the most popular areas of study. Nearly a third of the CEOs have an MBA and another third majored in engineering (including one engineering PhD earned by Thomas Kennedy of Raytheon). Other graduate degrees include three JDs and five Masters' degrees.

# Professional Backgrounds

Nearly 60% were elevated to COO or President before becoming CEO. Excluding these preparatory roles:

- Nine of the new CEOs led a business unit prior to becoming CEO.
- Seven CEOs were CFOs immediately before becoming CEO, but another three had previously held the CFO title, for a total of ten—more than any other pre-CEO preperatory functional or business unit leadership role.
- Four of the new CEOs had been CEOs at other companies.
- Other key significant roles include leading a region and—in retail—merchandising.
- Two were previous CEOs of large company subsidiaries. Walmart's Sam's Club graduated two CEO alumni, McMillon of Walmart, and Cornell at Target. More than 80% of CEOs had considerable P&L experience.

*Six CEOs hold bachelors degrees with unspecified majors.

# Age at Appointment

**New CEOs Age at Appointment:**

44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69

youngest med. & avg. oldest

**Age of Predecessors at Retirement:**

51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70

youngest avg. med. oldest

For the class of 2014, the average and median age at appointment was 54 years, ranging from 44 to 69. For the predecessors the average age at retirement was 62 years, ranging from 51 to 70.

## 54 Years Old

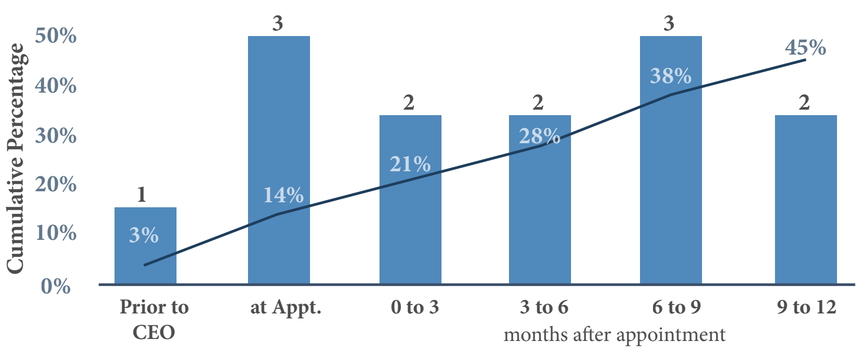
The average and median age of the new CEOs.

## 62 Years Old

The average age at retirement of the CEOs' predecessors.

# The Chairman Role

*CEOs Who Became Chairman by Months after Appointment*

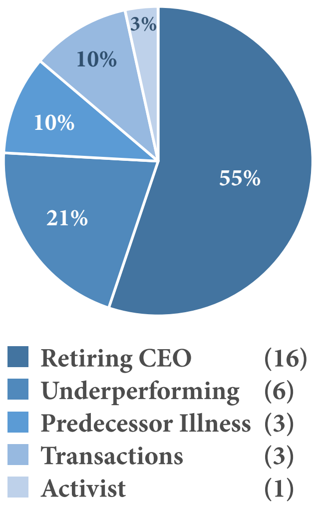



Nearly half of the CEOs have also been appointed Chairman. Three were named Chairman at the time of the CEO transition: Target's Cornell, Marcus of TWC, and Seifi Ghasemi of Air Products (who had already been a director). The remaining nine assumed the second title intermittently throughout the year after becoming CEO. John Cahill of Kraft Foods Group took a less traditional route and was named Chairman before becoming CEO.

## 45% are CEO and Chairman

Nearly half of the CEOs have been appointed Chairman.

Reason for Succession



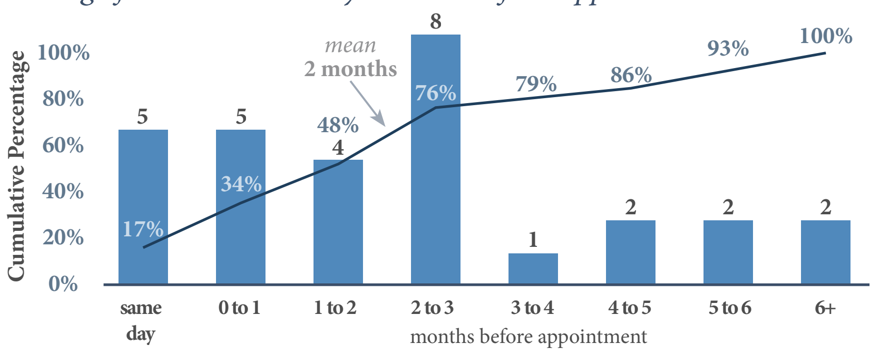

# Rationale for Transition

Sixteen of the transitions occurred due to the retirement of the previous CEO. The average price movement following retirement announcements was +1.3%.

Three CEOs took office due to a predecessor's illness (or that of a family member); three transitions were the result of transactions; and one CEO took office after an activist shareholder demanded a management shakeup (Seifi Ghasemi at Air Products). Six CEOs took over underperforming companies that had the potential for significant improvement.

# Timing of Announcement

*Timing of Announcement by Months Before Appointment*




## 2 Months

The average time between announcement and appointment was just 2 months.

## 5 Became CEO on Day of Announcement

24 were announced prior to their appointment.

Only five CEOs were announced and appointed CEO on the same day. Three of these CEOs were at two software companies: Satya Nadella (Microsoft) and Safra Catz & Mark Hurd (Oracle); the others were Greg Hayes (United Technologies) and Clay Williams (National Oilwell Varco). The majority, 24, were announced prior to their appointment. More than three-quarters were announced within three months or less of appointment. 17% (5) were announced between three and six months and only two were announced more than six months in advance.

# External Board Membership

*Class of 2014 Board Membership*

| Joined board: | | | | | |
|---|---|---|---|---|---|
| | *5+ years before* | **Cincinnati Financial** | **HSBC Holdings** | **Benchmark Electronics** | **Johnson Controls** |
| | *2-3 years before* | **General Dynamics** | **Polaris Industries** | **Colgate-Palmolive** | |
| | *1 year before* | **American Airlines Group** | **Nucor** | **Equifax** | |
| | *after becoming CEO* | **Anadarko Petroleum** | **Enable Midstream Partners** | | |

Eleven of the new CEOs currently sit on external public boards. Seven of these boards are in the Fortune 500 and three are in the Fortune 100.

In most cases, these leaders joined the boards prior to becoming CEO. Two joined boards after becoming CEO, both of them Energy CEOs, Scott Prochazka of CenterPoint Energy and Joseph Gorder of Valero Energy. In both cases, they joined boards soon after becoming CEO, with Gorder joining Anadarko Petroleum two months after appointment and Prochazka joining Enable Midstream four months after appointment.

The timing beforehand was relatively dispersed, with a range of as far back as nearly 13 years to just two months before becoming CEO.

38%

11 of the new CEOs sit on external public boards.

# The State of the Companies at the Time of Transition

## Retail Reigns

Retail companies saw the most new CEOs, putting $762 billion in revenue under new leadership.

## 60% Outperform

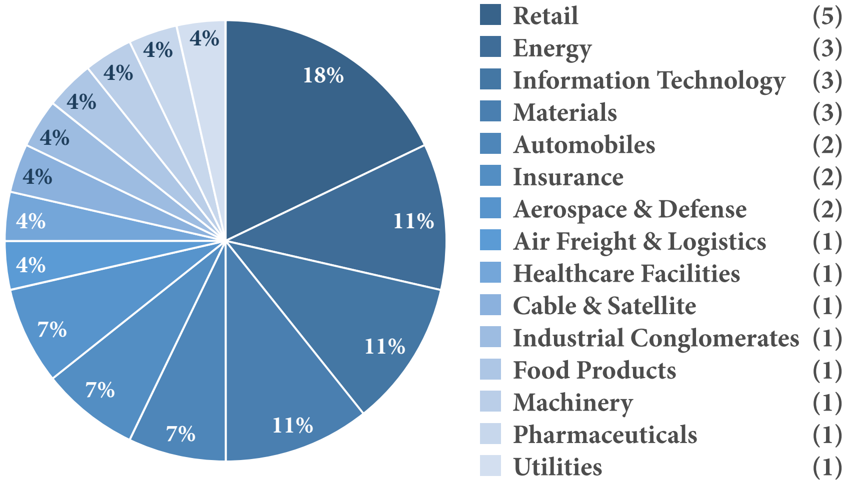
Under the previous CEO, 60% outperformed the S&P 500.

## 9 Years on Average

The average tenure of predecessors was over nine years.

Of the ten sectors that make up the S&P 500, all but one, telecommunications, had new CEOs during 2014. A closer look by industry reveals a diversity of industries.

*New CEO Breakdown by Industry*




*Relative Share Price Performance Prior to CEO Transition*

Nearly 60% outperformed the S&P 500 over the full tenure of the predecessor, but in the two-year period prior to transition, the opposite was true: only 43% of companies outperformed relative to the S&P 500.

*Predecessor Tenure*

New CEOs replaced predecessors with an average tenure of nine years and a median tenure of seven and a half years.

*Relative Share Price Performance*

Share prices hardly moved following the new CEO announcements—a testament to the fact that the CEO has a runway to prove his or her performance.

The average share price movement following announcement was +1.3% with a range of -2.9% to +25.5%. At 25.5%, ONEOK was an outlier, as the company concurrently announced plans to separate the company's natural gas distribution business into a standalone publicly traded company. Air Products saw the second-largest increase at 7.5%.

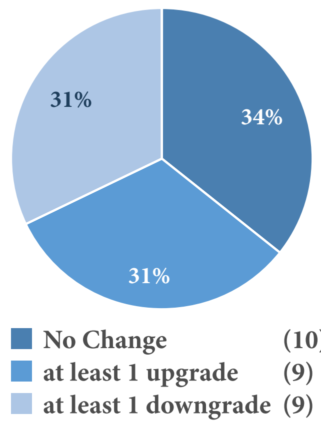
*Analyst Ratings*

Analyst ratings tended not to move too much upon the announcement of a new CEO. Ten companies had no change to "Buy" ratings within three months of announcement. Nine had at least one upgrade within the first three months while a further nine experienced at least one downgrade over this same time frame.

+1.3%

The average share price movement following an announcement.

**Change in Analyst Ratings**



# Sources & Glossary

Detailed sources by profile are available at:
*www.feigenadvisors.com/research-and-publications/research/*

Sources include:

Company press releases, company transcripts, company websites, S&P Capital IQ, BoardEx, AL.com, Auto Blog, *Barron's*, Benzinga, Bizwomen, *Bloomberg Business, Bristol Herald Courier, Business Insiders, Car Magazine*, Chron.com, *The Cincinnati Business Courier*, Cincinnati.com, CNBC.com, *The Commercial Appeal*, *The Courier-Journal, Crain's Chicago Business*, EnergyWire, *The Financial Times*, First World Pharma, Food, Drink & Franchise, *Forbes*, *Fortune*, Forward, Healthcare Financial Management Association, *The Houston Business Journal*, *Institutional Investor, The Insurance Journal, Investing Daily*, IT Pro, Jalopnik, *The Los Angeles Times*, Leaders Magazine, Market Realist, MarketWatch, *The Memphis Business Journal, Modern Healthcare*, The Morning Call, Morningstar.com, The Motley Fool, My San Antonio, *The New York Times*, Post Online Media, re/code, Reuters, Reuters Canada, *The San Antonio Business Journal*, *San Antonio Express News, The San Francisco Business Times*, seekingalpha.com, Seeking Alpha, Staff Tribune, *Stanford Magazine*, Street Insider, Tech Crunch, *The Seattle Times*, The Street, The Telegraph, *Time Magazine*, Tulsa World, *USA Today*, USD Magazine, Vertical Research Partners, *The Wall Street Journal*, The Wall Street Journal CEO Council, *The Washington Post*, WOAI Radio, Zach's.

Glossary

Appt: Appointment; defined as the effective start date as CEO
BBA: Bachelors in Business Administration
CS: Computer Science
EE: Electrical Engineering

# About Feigen Advisors

Feigen Advisors serves large global enterprises, advising on all aspects of value creation. Our clients have created remarkable performance, almost all sustainably outperforming their peer groups.

As advisors to the CEO and the Board, ours is the enterprise perspective and we leverage all available opportunities to create value.

As experts in the role of the CEO, and as performance catalysts rather than project consultants, we work on our clients' side of the table to help drive performance and growth.