

Top 10 “Biggest Quits” of 2007

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A review of the most impactful resignations in the United States this year.

New York, NY, January, 2008 - 2007 will be remembered primarily for financial downturn in the markets, especially the mortgage crisis. This, along with poor performance, has led to a sharp increase in Executive turnover¹. Businesses across the country have amplified campaigns to diminish costs and drive greater accountability for results. As an economic decline looms, many senior executives chose to retire, while still others were compelled to go by their Board of Directors — leaving windows of opportunity. As the pursuit of greener pastures, and new challenges, leads to increased resignations it creates a ripple effect — adversely affecting a companies’ ability to react quickly. The power shifts influence every sector of the economic, political, and cultural landscape. The following individuals represent some of the most influential turnover stories of 2007 and Retensa’s Top 10 “Biggest Quits”.

Criteria

Only U.S.-based departures, excluding planned retirements, qualify for inclusion on Retensa’s “Biggest Quits” List. To make the top 10, Retensa applies three precise criteria: (1) the magnitude of impact in the individuals’ industry or field, (2) the financial loss or loss of influence of the enduring organization, and (3) the degree that the enduring organization is unprepared to respond.

1. James E. Press (President, North America Operations): Toyota

One of the most visible figures in the US auto industry, and the first non-Japanese member of Toyota’s Board of Directors, James E. Press, resigned from the position of North American President on September 14, 2007, after 37 years of service. Press will leverage his knowledge and experience as the Vice Chairman and President of Chrysler, focusing his efforts on growing Toyota’s direct competitor. During his career with Toyota, Press was heralded for his ability to connect the then fledgling Japanese car maker with the US market and recreate Toyota’s global image. His close ties with US dealers spurred Toyota’s growing market share, which hit 16% in March 2007, surpassing GM to be America’s number one auto supplier². If Press is able to work his magic at Chrysler, he may just become the king of the car industry, having driven twice down the road less traveled.

2. Writers Strike (TV and Film Writers): Writers Guild of America

Where have all the writers gone? We are turning off the tube and finding an alternative for our new found free primetime. With 12,000 writers on strike we have experienced reruns, cancellations, suspensions of series and, likely, an increase in our personal productivity. The Writers Guild Association (WGA) went on strike November 5, 2007 in hopes of a contract renewal that will provide higher pay or compensation for new media, and a more stable working environment. Late night talk shows have already used their own means to continue to earn their commercial fees. Award shows requested waivers from the WGA. The Golden Globes gave their awards via star-studded pamphlet when they were not granted one. As of this publication date, the strike cost \$1 billion in lost wages and associated earnings. The war of



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medium versus content will not be won until the networks come up with a contract that will satisfy all of the contingencies made by the writers. People's viewing habits are changing faster than traditional media can, and the distracting strike may inadvertently push alternative media into the mainstream.

3. Bruce Chizen (CEO): Adobe

After a strong financial start to 2007, Adobe announced that the man who came in at #15 on CNN's list of "The 50 Who Matter Now," Bruce Chizen, will resign. A man of few words, Chizen says he feels the timing is right and that he needed a break from the ambitious job of CEO of Adobe. This will be a setback since Chizen's leadership, vision, optimistic attitude and technological expertise directly contributed to double revenue growth since he came onboard in 2000. He is credited with turning a company known expressly for design products into one of the most recognized enterprise software brands in the world. Chizen will serve out his term on Adobe's Board of Directors and then the company must build or buy its next step forward.

4. Nick Saban (Head Coach): Miami Dolphins

What's the worst that could happen? The Miami Dolphins figured that out when head coach Nick Saban left to coach University of Alabama on January 4th, 2007. Achieving a 9-7 record in his first season in 2005 (with the Dolphins), expectations were high coming into the 2006 season. However, during the season, rumors of Saban's departure to Alabama plagued morale even though he continually denied it. Unfortunately, nothing lasts forever and neither did Saban. Left without a coach, the Dolphins appointed Cam Cameron, *their fifth coach in five seasons*. The continual change in leadership, decision makers, training and coaching staff inevitably led to the collapse of the Dolphins who were given little to no time to acclimatize. Cameron dutifully carried on their bad luck to a 2007 season finish of 1-15, the worst finish in franchise history. Three words: Rebuild, rebuild, rebuild.

5. Dale Black (Chief Financial Officer): Trump Entertainment Inc

Place your bets. First James Perry, then Virginia McDowell, and now Dale Black, the third high-ranking Trump Entertainment executive to leave the company to join Isle of Capri Casinos, Inc. It should have been no surprise to Trump Entertainment when Black dealt his last card since he is very close to the two former executives Perry and McDowell. Early in 2007 the company's three casinos; Taj Mahal, the Plaza and the Marina, received new five-year licenses from the NJ State Casino Control Commission due in large to the financial testimonial made by Black. Trump's casinos are still emerging from debt after bankruptcy reorganization in 2005. When his resignation was made public Trump Entertainment stocks fell by 5.7% to \$4.64³. Will other people follow the executive's lead? Or, will they wait to see if the Trump house is losing its advantage?



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6. Matthew Szulik (CEO and President): Red Hat

On December 20, 2007, Matthew Szulik stepped down as CEO and president of Red Hat. This was a substantial loss to the open source leader since, in terms of performance in emerging technologies, few compare to Szulik. Red Hat is one of the top distributors of Linux, largely due to the passion of Szulik. Since joining Red Hat when they went public in 1999, he led the company to market leadership with greater than an 80% share of Linux sales worldwide and over 1000 employees⁴. His abrupt resignation was due to personal reasons and commitment to family health. Although he is removed from the day-to-day operations, he will remain Chairman of the Board. Replaced by James Whitehurst, former Delta Chief Operating Officer, many are skeptical about Whitehurst's industry knowledge and strategic approach, doubting it will be sufficient to continue the success of the champion of open source.

7. Notebaert (CEO), Shafer (CFO) and Allan (COO): Qwest Communications

Picture it - it is 2002 and a Denver based telecommunications company is in a multibillion dollar accounting scandal and on the verge of bankruptcy. Enter Richard Notebaert, new Chairman and CEO, ready to take on the high risk challenge of saving Qwest, the telephone services provider to over a dozen western states. Notebaert, along with two other key executives Oren Shafer (CFO) and Barry Allen (COO), cut costs and increase revenues to steer the company off the path of bankruptcy. In a five year span they successfully managed to cut debt in half from the initial \$26 billion and \$4.15 a share in June 2002 to \$10.20 before Notebaert's retirement announcement⁵. However, within two months of each other Notebaert, Shafer and Allen all announced their resignations. Notebaert stipulated he would stay until a replacement is found, but Shafer and Allen made no such provisions, and stock prices fell by 8 percent. The net result? A company walking on egg shells, without their top talent, facing challenges, which will make it a tough year to phone home.

8. Charles Giancarlo (Chief Development Officer): Cisco

So much for succession at Cisco. On December 31, 2007, after the departure of former Senior VP and CEO candidate Mike Volpi, Cisco lost another highly valued senior executive. Charles Giancarlo, Chief Development Officer, who many thought was next to sit on the Cisco throne, resigned after 14 years of service. This was announced after news that John Chambers, current CEO, plans to remain at the helm for another 3 to 5 years. A key member in Cisco's leadership, Giancarlo launched Cisco's business development group and initiated many profitable acquisitions and alliances - even after the budget tightening years following the dot com crash. Giancarlo is at Silver Lake Partners, a private equity firm. Cisco now has two hurdles to overcome. It must replace its top performer and search for an heir.



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9. Shawn Carter “Jay-Z” (President): Def Jam Recordings

Shawn Carter, the dapper rapper better known as Jay-Z and one of the most influential hip hop figures today, announced his departure as President and Chief Executive Officer from Def Jam Recording on December 24, 2007. He exited abruptly after the parent company, Universal Music Group declined to accept his new contract terms. During his three-year tenure, he launched major recording artists including Rihanna, Ne-Yo, and Kanye West. Jay-Z’s role was never fully blessed due to what some called a conflict of interest created by his position as both an artist, and an executive at the same company but in terms of influence, in 2007 alone; Def Jam received 26 Grammy nominations. As for future plans Jay-Z, who remains an artist under Def Jam, looks forward to new challenges such as the expanding his 40/40 Nightclub franchise, new business ventures and reminding himself that he is dating Beyoncé.

10. Joe Torre (Manager): New York Yankees

A sad day for Yankee’s fans, Joe Torre resigned after 12 years as the team’s manager. Torre joined Los Angeles Dodgers after he was, very publically, told to swing at a pay cut by the Steinbrenner’s. He chose to walk. Torre departs the Yankees with over 1,000 team victories. In recent years, Torre had rough moments including the 2004 collapse against the Boston Red Sox and a disastrous game against the Tigers last October. In spite of these, he heads to LA with an impressive resume and the #8 position on Baseball’s Career Victories list with 2,067 wins⁶. Torre leaves the Yankees for a new stadium to fill – and a \$13mm paycheck over three years – a slight reduction from the Yankees offer. Perhaps he can deal with one less Jaguar and no more flowers for George.

Honorable Mention

Tony Blair (Prime Minister): United Kingdom

A charismatic leader that fortified Britain’s economic and political prowess, Tony Blair announced his resignation as Prime Minister on June 27, 2007. Blair is the Labor Party’s longest-serving prime minister with three consecutive general election victories. His political prominence made the Labor Party the center of British politics. He was not without dissenters; after all, Blair’s popularity with the people waned due to his vacillating stance on nuclear power and alignment with the US in Afghanistan and Iraq. However, few can disregard his passion for his country, his commitment to his people and the reforms he achieved. After a decade of service, Blair will now serve as an Envoy for the United Nations. A people’s man, he now leaves the Labor Party in the hands of Gordon Brown, the next Prime Minister.

Conclusions

When leaders resign, their organizations are left scrambling for focus and clear direction. If the company is unprepared for a departure of a senior executive the repercussions might be severe. Regardless, departures at any level can have significant impact from the company’s performance to the employees’ morale. Turnover of executives remained at high levels in 2007



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with more “high profile” departures than 2006. The departure of these 10 individuals, key members in their respective companies’ operations and major contributors to the industry, are but a few in the many that resigned in 2007. Turnover is an all too common occurrence at any organization, both large and small. Fortunately, approximately 94% of turnover is preventable. If employee turnover is a problem, it is critical to find the underlying causes and address them. Building retention programs at every level of an organization ensures that intellectual capital, and relationship capital, will be preserved and that the firm’s goals will be achieved.

About Retensa

Retensa addresses the social and economic impact of employee turnover for public, private, and non profit organizations. They apply research, metrics, and technology to help companies develop, motivate, and retain their employees. Employee retention experts can be reached at 212.545.1280 or visit www.retensa.com for speakers, research, or employee retention solutions.

¹ Weber Shandwick (11/28/08)

² Bloomberg (9/6/07)

³ Forbes (12/4/07)

⁴ News.com (12/20/07)

⁵ New York Times (6/12/07)

⁶ ESPN.com

