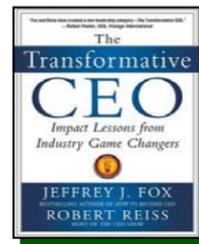


## TRANSFORMATIVE CEOs OUTPERFORM S&P 500



### From Robert Reiss

Our book, *The Transformative CEO*, contains readable and interesting examples of CEOs who did innovative things while leading their companies. But is being “transformative” also a recipe for delivering superior stock market performance, too?

We engaged The Knowledge Agency® (TKA, [www.knowledgeagency.com](http://www.knowledgeagency.com)), a financial and economic research firm known for its independent, fact-based assessments of business conditions and trends to perform a rigorous analysis of the stock market performance of the billion-dollar listed companies during the tenure of the CEOs who we highlighted in the book. We wanted to know whether our central hypothesis—that the results of being “transformative” include delivering superior performance—is supported by the numbers. We demanded the straight facts.

The net result is that, judged by the measure of value-added, this group of CEOs delivered performance superior to the results of the broader market – and far superior in nearly half the cases. Here are The Knowledge Agency’s findings....



**Tim Powell,**  
**President & CEO**  
**The Knowledge Agency**

While there are several commonly-used measures of CEO performance, we chose share price appreciation, for several primary reasons. The data are relatively widely available and it is a metric commonly used by Wall Street.

*The Transformative CEO* mentioned CEOs from 44 companies. However, only 11 of them were publicly traded with over \$1 billion in market capitalization: Aflac,

Campbell Soup, Danaher, General Mills, Home Depot, McDonald’s, NetApp, Royal Caribbean, UPS, Waste Management, and Xerox. The benchmark of market performance we chose was the S&P 500 because the companies included represent over 75% of the US equities market. Therefore, companies that outperform the S&P 500 Index by definition are top performers.

The results reflect only the time that the CEO mentioned in the book (and noted below) ran the company based on the stock price when the CEO began his/her tenure to the day he/she left.

### RESULTS:

Of the 11 ‘transformative’ CEOs analyzed, 10 outperformed the S&P 500 during their respective tenures. In 5

of the cases, this was by a triple- or quadruple-digit margin.

Also note that these superior gains were achieved in periods experiencing both up markets (the strong expansion experienced by Home Depot during the ‘80s and ‘90s) and in those with down markets (the prolonged contraction experienced by General Mills, UPS, and Campbell Soup since 2008).

The single exception should be explained: Xerox, under Anne Mulcahy had performance that for most of her 8-year tenure was well above the market. Her tenure ended untimely with the market implosion of 2008, which of course affected everyone. It is not, therefore, reflective of her individual performance as a transformative CEO so much as a timing issue beyond her control when she chose to leave.

Each of these CEOs had ample time to implement his or her agenda. The minimum CEO’s tenure in that role was about five years, the maximum over 23 years.

COMPANY	CEO	PRICE CHANGE (During Tenure)	S&P 500 CHANGE (During Tenure)	% POINTS DIFFERENCE
Home Depot	Bernie Marcus	5,909.1%	490.2%	5,419.0%
Aflac	Dan Amos	1,534.3%	282.3%	1,251.9%
NetApp	Dan Warmenhoven	1,103.3%	65.7%	1,037.6%
Danaher	Larry Culp	220.7%	16.4%	204.4%
McDonald's	Jim Skinner	183.8%	11.4%	172.4%
General Mills	Ken Powell	39.5%	-4.6%	44.1%
UPS	Scott Davis	11.0%	-6.8%	17.8%
Royal Caribbean	Richard Fain	206.1%	192.1%	14.0%
Campbell Soup	Doug Conant	3.8%	-5.8%	9.6%
Waste Management	David Steiner	11.7%	11.3%	0.4%
Xerox	Anne Mulcahy	-41.4%	-26.9%	-14.5%

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TKA serves leading firms in health care; consumer products; information and media; financial and professional services; and government agencies.

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