

FinancialWeek

What's out: COOs. In: CFOs

As operating ranks drop, finance folks fill gap

[By Jeff Nash](#)

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When Dick Bond jumped from chief operating officer to chief executive at Tyson Foods earlier this year, he didn't fill his old post.

Instead Mr. Bond chose to directly oversee the company's attempt at a turnaround—sans that extra layer of top management—which included more than \$200 million in spending cuts, as well as efforts to drive up demand and prices for its chicken and other food offerings.

Mr. Bond's decision to go without a COO has become an increasingly popular move at the nation's biggest companies. The rise in shareholder activism following the high-profile blowups of Enron and WorldCom, among others, has forced many CEOs off their lofty perches and into the operational trenches, thus rendering the COO position unnecessary.

In fact, since 1999 there are 17% fewer COOs in the S&P 500, a steady drop to 213 from 255, according to Chicago-based executive search firm Crist Associates. And although more than half of these COOs have been promoted to chief executive jobs, internally or at other firms, their former positions are often left vacant—creating a big opportunity for the right chief financial officer.

“The investment community wants CEOs closer to the business, which takes away the need for a COO,” said Peter Crist, chief executive of Crist Associates. “And with more and more scrutiny on executive compensation, it's not necessary to have this redundant position if you have a good CEO and a good CFO.”

Indeed, just last week Kellogg announced that it would not fill its COO chair when current holder David Mackay becomes chief executive on Dec. 31. Like Tyson Foods, Kellogg said it wants management “reporting directly” to the chief executive. Walt Disney Co. and home builder Centex have also recently followed suit.

Corporate observers agree that the COO's loss is often the CFO's gain.

“Inevitably, when you take a COO out, that means more for the CFO,” said John Challenger, chief executive of recruiting firm Challenger Gray & Christmas in Cincinnati.

For starters, many of today's top dogs are offloading the duty of communicating financial performance and forecasts to Wall Street to their chief financial officers. Many CEOs are also hiring CFOs that can think beyond the bean-counting duties of managing risk, financial planning and record keeping to overall company strategy and improving day-to-day operations.

“More often, the CEO’s skill set goes down the ladder a little bit, while the CFO’s skill set is blended upward to cover the void,” said Mr. Crist.

Consider Tyson Foods. Four months ago, Mr. Bond hired Wade Miquelon as CFO precisely because he wasn’t an old-fashioned CFO. With 11 different jobs in four countries over a 16-year career at Procter & Gamble, the 41-year-old Mr. Miquelon has a breadth of experience Mr. Bond said he needs to return Tyson to profitability.

“Wade’s a strong financial manager,” said Mr. Bond, “but he also has other skills we believe are valuable to the future of our company, such as his understanding of the intricacies involved in operating a business globally.”

Last month, Mr. Miquelon addressed investors at Bank of America’s annual investment conference in San Francisco, a gig traditionally reserved for the chief executive. Mr. Miquelon is also spearheading the company’s strategy to raise prices on its chicken, beef and pork products, hoping to increase profit margins—typically 4% to 5% in this part of the food business—by a full percentage point next year, a feat that could add as much as \$250 million in earnings a year.

“There’s fun, sexy, cool stuff like strategy, and if you do it well, you get promoted,” explained Mr. Miquelon. “But there’s some other stuff—accounting, governance—and if you don’t do that well, you get fired. I do both, but the one that has the highest leverage on the organization is strategy.”

Clearly, the payoff for the ever-expanding CFO job is a more direct shot at the chief executive title. In August, PepsiCo appointed Indra Nooyi chief executive after she had served five years as CFO and president of the food and beverage company. Likewise, Allstate, Southwest Airlines, General Motors and Tenet Healthcare have all tapped finance pros to become their chief executives in recent years.

That said, experts doubt the COO will become extinct anytime soon.

“The COO was the easiest C-level person to eliminate during the economic downturn in the early 2000s,” said Bill Shepard, founder of the COO Forum, an association for chief operating officers. “I see that reversing itself.” Mr. Shepard added that the rise of the “COO-style CEO” means a lot of the best COOs have been snatched up for the top job and not yet replaced.

Nate Bennett, a professor of organizational behavior at Georgia Tech University, said many companies go without a COO, but only temporarily. “Often a CEO wants to learn how to run the company,” said Mr. Bennett. “Once that learning is done, or the need for a succession plan comes up, a COO is put in place.”

A well-rounded CFO could be the beneficiary. For example, Mr. Shepard said, in many small companies—those with market caps under \$100 million—a new hybrid position has popped up, the “operational CFO.”