

No. 2 Jobs Dwindle Amid Cost Cutting

By **CARI TUNA**

AOL Inc. and Avon Products Inc. last week embraced a hot management trend: eliminating the second-in-command.

The shake-ups underscore a shift in executive suites, as chief executive officers take greater control of day-to-day operations or delegate control to division heads, squeezing out chief operating officers and presidents.



Bloomberg News

Northrop Grumman President and COO Wesley Bush.

"The CEO wants to be closer to the action," says Tom Kolder, president of Crist|Kolder Associates, a Hinsdale, Ill., executive-search firm. The recession may be accelerating the trend as CEOs and chief financial officers, focused on cutting costs, "roll up their sleeves and get into the details of the business to a greater extent," he says.

Between January 2008 and June 2009, 40 major companies eliminated the COO or president position, while only 20 added it, according to a study of 672 large public companies by Crist|Kolder. (The tally includes companies where the CEO took on the president's title.) About 42% now employ a COO or president who isn't the CEO, down from 44% last year and 48% in 2000.

At AOL, former Google Inc. executive Tim Armstrong created the COO post in July, shortly after taking over the Time Warner Inc. unit. On Tuesday, Mr. Armstrong eliminated the job and divided the responsibilities of Kimberley Partoll among other senior leaders, after recruiting a new finance chief and other executives, according to a person familiar with the matter. Ms. Partoll declined to comment.

Avon on Thursday said President Elizabeth Smith will leave her post next month to pursue a CEO position, disrupting a potential succession plan at the beauty-products maker. Avon said it has no immediate plans to replace Ms. Smith, who had helped oversee restructuring measures at the company.



Getty Images

TV personality Suze Orman and Avon President Elizabeth Smith.

On Wednesday, Northrop Grumman Corp. said President and COO Wesley Bush will succeed CEO Ronald Sugar when he steps down on Dec. 31; it doesn't have immediate plans to appoint an operating chief. Next week, chemical maker DuPont Co. will eliminate the COO position when Richard Goodmanson retires. The change comes as CEO Ellen Kullman, who took over on Jan. 1, streamlines the executive team amid weak demand.

Many companies are scrapping the posts as new CEOs, many of them promoted COOs, take the helm. That's what has happened at General Motors Co., Coca-Cola Co., Alcoa Inc. and Eli Lilly & Co. since mid-2008.

The COO position remains the most common steppingstone to the corner office, though others, notably the CFO, have gained ground in recent years. "The COO, when in place, is even more likely to be there because of a succession plan than ever before," Mr. Kolder says.

Starbucks Corp. eliminated the COO position in July 2008, six months after Howard Schultz returned as CEO. Martin Coles, who had shifted to COO from running the international unit in 2007, returned to his former post.



Richard Goodmanson

Mr. Schultz chose to work directly with Starbucks's three division heads "to focus on the day-to-day business and really get close to it," especially in light of the flagging economy, says Starbucks spokeswoman Deb Trevino.

Ernie Mrozek, a former COO, predicts that more companies will eliminate the position as they streamline operations and cut costs. The severity of the recession means "the board looks to the CEO to be more directly involved," he says.

Mr. Mrozek served as operating chief of ServiceMaster Co. until 2004, when he took over as finance chief and the company eliminated the COO post. The Memphis, Tenn., company, whose brands include Terminix and Merry Maids, was cutting jobs and costs and "we thought it important to lead from the top," recalls Mr. Mrozek. He retired as CFO in 2006 and now sits on four corporate boards.

Alan Barry, who retired as COO of Masco Corp. in November 2007, says the position becomes less central as companies grow larger and more complex. Companies with several big divisions "in effect have two, three or four COOs," he says. "As companies get bigger, the CEO does not want to be as removed. He wants to have more direct hands-on control."

But Mr. Barry cautions that "there have to be at least two people" at the top of the company, one supervising operations and the other strategy. When the CEO runs operations, the chairman of the board might assume a greater strategic role. "You just can't have one person that's got all of that responsibility," he says. "There aren't enough hours in the day."

Cincinnati Financial Corp. CEO Ken Stecher opted not to appoint a new operating chief when the company's COO retired in July 2008. Mr. Stecher, who had just stepped into the CEO role, says he instead chose to install promising executives as presidents of the bank's divisions and work directly with them "to broaden their experience" and "develop a much deeper bench."

He says the decision removed a layer of management, but also "allows me to make sure that they gain the various experiences and skill sets" they need.

—Emily Steel, Joann S. Lublin and Ellen Byron contributed to this article.

Write to Cari Tuna at cari.tuna@wsj.com