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On Board

A Dying Breed
by Randy Myers

Need a good COO to complement your CEO? Apparently, fewer and fewer boards think so.

According to the recruiting firm [Crist Associates](#), in 2002 only 17% of companies listed in the Fortune 500 and the S&P 500 named anybody to fill the jobs of chief operating officers who had been promoted. That's down from 47% in 1996. The findings dovetail with a paper released last fall by professors Julie Wulf of the University of Pennsylvania's Wharton School and Raghuram Rajan of the University of Chicago's Graduate School of Business, who examined 300 large companies and found that between 1986 and 1999 the number employing a COO decreased by about 20%.

[Crist Associates president Peter Crist](#) attributes the trend in part to younger CEOs with a more hands-on approach, plus urging from boards that want the CEO to know exactly what's happening at the operations level.

Some chief executives also say they're being pressured by outside stakeholders to keep their eyes and ears open in the wake of the recent accounting scandals. "I don't know that I've heard that message as an explicit statement, but I can feel it," says Gregory T. Swienton, who as chairman and CEO of Ryder System, a Miami-based transportation and logistics-management company, works without a COO at his side. "When I talk to shareholders and analysts, the level of detail we get to assumes that I'm close to the business, and I think it helps our credibility that I don't have to rely on somebody else to have those discussions."

Ironically, Swienton started at Ryder as its COO, doing double duty as president. A year later, in 2000, he became president and CEO and decided to drop the COO job from the company. He says the decision stemmed from his desire to be close to operations, his understanding that he'd been hired as a hands-on manager, and his reluctance to relinquish operations oversight while Ryder was going through some changes that he felt needed his direct attention. "Cost control was also an issue," he says. "That was not the time to have an extra layer of management or expenses."

[Crist](#) says the waning of the COO could also reflect, in part, the growing role of the chief financial officer, who at many companies has been transformed from a financial functionary into a strategist and, in some cases, an executive with direct operating responsibilities. It might also indicate a simple dearth of executive talent. "Companies are always complaining about their bench strength," says [Crist](#).

To be sure, COOs have not disappeared from the corporate landscape—in fact, some companies are adding the role. In November Phelps Dodge Corp., a mining and manufacturing outfit in Phoenix, Arizona, named Timothy Snider president—and COO, a newly created position. Phelps Dodge chairman and CEO J. Steven Whisler says the promotion recognized that Snider had been "almost by definition the de facto chief operating officer" in his previous job as head of the mining division, which accounts for about 80% of the company's business. But, Whisler adds, the title also helped Phelps Dodge, which has a fairly flat organizational structure, provide additional advancement opportunities for other employees.

At Ryder, Swienton says he doesn't rule out naming another COO some years down the road, perhaps as part of a succession plan. But he is content to keep the operating reins in his own hands for now. "If you're too far from the day-to-day activity and lose touch with the front lines, you can't progress as quickly as you want," he says. "And you have to be relentless about making progress."

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