AOL names former Google executive as CEO

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(AP) -- An executive from Google Inc. is becoming the latest CEO of AOL, raising hopes that he will be able to turn around Time Warner Inc.'s struggling Internet unit.

Tim Armstrong, who had been a senior vice president at Google and head of the company's North and South American advertising operations, replaces AOL CEO Randy Falco, a veteran TV executive who took the job in November 2006. Falco, along with Ron Grant, AOL's president and chief operating officer, are leaving AOL.

Armstrong, 38, also will take over from Falco as chairman.

This shake-up - one of several the company has experienced lately - could mean a spin-off of AOL is more likely. Time Warner CEO Jeff Bewkes has said he's open to a merger or sale of AOL, and in a statement Bewkes said Armstrong would help Time Warner "determine the optimal structure for AOL."

"Tim is the right executive to move AOL into the next phase of its evolution," Bewkes said. "At Google, Armstrong helped build one of the most successful media teams in the history of the Internet."

Armstrong worked at Google for 8 1/2 years. As the company's first employee outside of Mountain View, he started its New York office.

The transition is another sign of turmoil in Time Warner's decade-long attempts to salvage its 2001 acquisition by AOL, once known as

America Online. The $147 billion AOL-Time Warner deal symbolized the astonishing wealth created by the dot-com boom and quickly became one of the most disastrous marriages in U.S. corporate history.

During the past few years, AOL has been realigning itself around three core businesses - its Platform A advertising unit, MediaGlow publishing unit and People Networks social media unit. These businesses are meant to bring in revenue through online advertising, as a way to offset losses from its fading dial-up Internet access service.

Besides realigning AOL, Time Warner has made moves to separate the dial-up operations from these ad-focused businesses, which would make it easier for Time Warner to sell one or both.

Problems have persisted, though. In early February, Time Warner reported that AOL's fourth-quarter revenue dropped 23 percent to $968 million, hurt by falling subscription revenue and ad sales.

There have been numerous management changes as well. A day before its parent company's quarterly report, AOL named former a Yahoo Inc. executive, Gregory Coleman, to head Platform A. Coleman replaced Lynda Clarizio, who had come on just last March.

Another reminder of the ongoing troubles came the day of Time Warner's report, when Google - which paid $1 billion in 2006 for a 5 percent stake in AOL and is its largest shareholder aside from Time Warner - triggered an escape clause in its contract with AOL. The clause forces Time Warner to spin off Google's holdings through an initial public offering or repurchase the stake at current market value.

This came after Google wrote off $726 million of its investment in the fourth quarter because of AOL's falling value. Google had made the investment in an effort to increase its advertising partnership with AOL and prevent rival Microsoft Corp. from trying to get involved with the company.

Richard Greenfield, an analyst with Pali Research, called the management change "a huge positive all around" for Time Warner investors. With Armstrong at the helm, he thinks it's more likely that Time Warner will eventually separate the AOL unit from its main business.

Kevin Lee, chief executive of search marketing firm Didit, feels the same. If the economy and stock market improve, and Armstrong is able to shape up AOL, Lee thinks it is possible that Time Warner would spin the business off as a public company or sell it.

Regardless, he's certain Armstrong has plenty of work ahead of him.

"If he wanted challenges, he picked a great place for challenges," Lee said.