

# Yahoo CEO: Shake-up needs more time, not Microsoft

June 3 2009, By MICHAEL LIEDTKE , AP Technology Writer

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(AP) -- Yahoo Inc. Chief Executive Carol Bartz has a message for investors hoping for a quick fix at the slumping Internet company or for an online search partnership with Microsoft Corp. - don't expect either to happen any time soon.

The no-nonsense executive hired by Yahoo six months ago got her latest points across Wednesday during an appearance at an investor conference hosted in New York by Bank of America Corp.'s Merrill Lynch.

Bartz has been trying to streamline Yahoo's operations and improve its online advertising system since she came in January to replace co-founder Jerry Yang. While pointing to some progress, Bartz said it probably will take another year or two before Yahoo reaps the gains from her shake-up.

"For everything you can do in three steps, it will take Yahoo 22 steps," Bartz said.

Yahoo has reshuffled management and laid off 700 employees, or about 5 percent of its work force, as part of Bartz's efforts to reduce bureaucracy and sharpen the company's technology.

As usual, Bartz was peppered with questions about the on-again, off-again talks that Yahoo has been holding with [Microsoft](#) since 2006. Although she didn't rule out the possibility of turning over Yahoo's search operations to Microsoft, Bartz left no doubt she believes the

company will thrive without Microsoft.

"Yahoo actually has a bright, bright future - possibly clearer and simpler - without the Microsoft connection," Bartz said. When the topic continued to come up, Bartz finally said, "Forget about the Microsoft stuff, it's honestly not that relevant."

But Bartz clearly has given serious thought to the ramifications of a Microsoft [partnership](#). The rivals have explored various combinations, including Microsoft's \$47.5 billion bid last year to buy Yahoo in its entirety, as they try to gain ground on [Google](#) Inc. in the lucrative Internet search market.

If Yahoo were to farm out Internet search to Microsoft, Bartz estimated that the company could save about \$500 million to \$700 million annually. But she indicated she had reservations about whether Yahoo could entrust such a key piece of technology to Microsoft, which has been losing money in its Internet division for years.

Responding to an investor question, Bartz said it probably makes more sense for Microsoft to sell its Internet operations to Yahoo - a concept that she said has raised with Microsoft CEO Steve Ballmer. But she said such a combination probably would cause antitrust problems, especially in e-mail, where Yahoo and Microsoft run the two largest services.

Qi Lu, president of Microsoft's online division and a former Yahoo search executive, declined to comment on the state of talks between the companies during an appearance at an industry conference in Seattle.

Microsoft this week unveiled its latest attempt to attract more online [advertising](#) with a revamped search engine called Bing.

Bartz doubts the upgrade will sway the current pecking order in Internet

search, with Google holding a 64 percent share of the U.S. market, followed by Yahoo at 20 percent and Microsoft at 8 percent.

"It's interesting, but not over-the-top interesting," Bartz said of Bing.

[Yahoo](#) shares fell 57 cents, or 3.4 percent, to \$16.05 in Wednesday's late afternoon trading.

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AP Technology Writer Jessica Mintz in Seattle contributed to this story.  
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