Yahoo! board re-elected, Bartz comes under fire

June 23 2011, by Glenn Chapman

Yahoo! chief executive Carol Bartz defended her turnaround efforts at the Internet pioneer Thursday and won the endorsement of the company's chairman and shareholders.

But Yahoo!'s annual gathering of shareholders ended on a dark note when an investor challenged Bartz to explain the company's languishing stock price and posts by bloggers contending that a hunt was on for her replacement.

The investor, who claimed to be an advisor to stockholders with big stakes in Yahoo!, urged the board to be open to selling or breaking up the company.

"Thanks for your opinion, the blogger's opinion, and the rumors," Bartz replied, not addressing any of the points raised. "That was certainly a downer."

Bartz assured shareholders that she was leading a focused effort to transform Yahoo! into "a premier digital media company" serving up online offerings tailored to the tastes of its 680 million users worldwide.

Bartz and board chairman Roy Bostock were supported by about 80 percent of the voting shareholders, while the remaining eight board members saw backing closer to 90 percent.

"Clearly, investors want Carol Bartz gone," said analyst Rob Enderle of the Enderle Group in Silicon Valley. "It is not her fault. She was a bad match for Yahoo!."

Rumors that a search is on to replace Bartz are not true, a Yahoo! spokesperson told AFP.

Bostock opened the gathering by telling shareholders that the board was behind Bartz and confident Yahoo! is headed in the right direction.

A chairman stepping up in front of shareholders to defend a chief executive tends to be interpreted by analysts as a sign of discord behind the scenes, according to Enderle.

Bartz took the Yahoo! helm from co-founder Jerry Yang in early 2009, overhauled the management team and cut costs in a shift away from the company's online search roots to becoming a venue for personalized content.

"It is easy to think of Yahoo! as a company that isn't going anywhere, and we are going to prove differently," Bartz told shareholders. "We have rolled up our sleeves to personalize content for all our users."

Yahoo! made a deal with Microsoft to have Bing do the heavy lifting regarding online searches at its websites and in return give the Redmond, Washington-based technology giant 12 percent of revenue from related ads.

A shareholder-crafted proposal calling on the Sunnyvale, California-company not to do business with China "and other repressive regimes" failed to get enough votes to pass. The proposal was opposed by the board.

Bartz touched on talks to mend a rift with Alibaba Group, repeating an official statement that "constructive" progress was being made.

Yahoo! notified the US Securities and Exchange Commission in May that ownership of Alipay had been shifted to a Chinese firm owned mostly by Alibaba chief executive Jack Ma.

Yahoo! said the transfer was done without the knowledge or approval of Alibaba's board of directors or shareholders, which also include Japan's Softbank.

But Ma has insisted that investors Yahoo! and Softbank were informed of the transfer of ownership and it was done to comply with Chinese licensing regulations.

"Our objective is to reach an agreement in a timely manner that serves the interests of the stakeholders," Bartz said. "We are very, very encouraged and when it is done we will let you know."

Ma has portrayed himself as the good guy in the rift with Yahoo! and suggested the faded Internet star get its own house in order.

Yahoo! owns a 43 percent stake in Alibaba and an estimated 40 percent share of Alipay.

Ma envisioned Alibaba becoming the main platform for online commerce in China.

Yahoo! shares were down 1.18 percent, or 18 cents, at $15.05 as the trading day neared its close on Wall Street.

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