

Yahoo fires Bartz as CEO, names CFO to fill void

September 7 2011, By MICHAEL LIEDTKE , AP Technology Writer



In this May 24, 2010 photo, Carol Bartz, CEO of Yahoo, attends a news conference in New York. Bartz is no longer CEO of Yahoo Inc., according to a report by the Wall Street Journal's All Things D technology blog. The situation around her departure is unclear, the report said, citing anonymous sources. But the blog says Chief Financial Officer Tim Morse has been named interim CEO. (AP Photo/Mark Lennihan)

Yahoo Inc. fired Carol Bartz as CEO Tuesday after more than 2 1/2 years of financial lethargy that had convinced investors that she couldn't steer the Internet company to a long-promised turnaround.

To fill the void, Yahoo's board named Tim Morse, its chief financial officer, as interim CEO. Bartz lured Morse away from computer chip maker Altera Corp. two years ago to help her cut costs. [Yahoo](#), based in Sunnyvale, Calif., said it is looking for a permanent replacement.

Yahoo Chairman Roy Bostock, also a target of shareholder frustration, informed Bartz about the move over the phone, according to an e-mail the outgoing CEO sent from her iPad that was obtained by the All Things D technology blog. The blog first reported Bartz's ouster.

A Yahoo spokesman didn't immediately respond to a request for comment late Tuesday.

Macquarie Securities analyst Ben Schachter called the handling of Bartz's departure "unseemly" and interpreted it as a sign of even more drama to come at Yahoo.

In a research note late Tuesday, Schachter predicted there will be a wide range of conjecture about Yahoo's future, with the most likely speculation centering on Yahoo as a takeover target during a vulnerable time.

Alternatively, Yahoo could make a bold move itself by trying to buy the online [video site](#) Hulu.com, which is already talking to suitors, or trying to sell its 43 percent stake in the Alibaba Group, one of China's most prized Internet companies. Bartz's tense relationship with Alibaba CEO Jack Ma had fed investor dissatisfaction about her leadership.

In a Tuesday statement, Yahoo said it is undergoing a "comprehensive strategic review" in its latest effort to give investors a reason to buy its stock but didn't offer details.

Bartz, 63, led an austerity campaign helped boost Yahoo's earnings, but the company didn't increase its revenue even as the Internet ad market grew at a rapid clip.

The financial funk, along with recent setbacks in Yahoo's online search partnership with Microsoft Corp. and the Alibaba investment, proved to

be Bartz's downfall. Her ouster comes with 16 months left on a four-year contract that she signed in January 2009.

That contract entitles her to severance payments that could be two to three times her annual salary and bonus, along with stock incentives she received during her tenure. Bartz received a \$2.2 million bonus to supplement her \$1 million salary last year.

Yahoo has now replaced three CEOs in a little over four years. During that time, Yahoo has lost ground in the Internet ad race to online search leader Google Inc. and Facebook even though its website remains among the world's most popular.

Known for her no-nonsense leadership and sometimes gruff language, Bartz arrived at Yahoo as a respected Silicon Valley executive who had won praise for turning around business software maker Autodesk Inc. But she had no previous experience in Internet advertising, the main way Yahoo makes money.

That hole in her resume immediately raised questions whether she was qualified for the job, and those doubts only escalated as Yahoo's revenue continued to sag.

At first, Bartz blamed bad timing; she started the job during some of the bleakest months of the Great Recession. Later, she would say that she inherited such a mess from her two predecessors, Yahoo co-founder Jerry Yang and former movie studio boss Terry Semel, and that it would take time to get Yahoo back on the right track.

At one point, she even compared her challenge to those that faced Steve Jobs when he returned to Apple Inc. as CEO in 1997.

Unlike Jobs, Bartz never was able to articulate a strategy to win over

investors.

"She focused on plugging holes in the ship instead of turning it around," said Gartner Inc. analyst Ray Valdes.

The disappointing performance was reflected in Yahoo's stock price, which closed Tuesday at \$12.91. That's 81 cents, or 7 percent, higher than where Yahoo shares stood when Bartz was hired as CEO. During the same period, Google's stock price has risen by more than \$200, or 66 percent, and the technology-driven Nasdaq composite index has climbed by 60 percent. A group of investors led by Goldman Sachs Group concluded privately held Facebook is worth \$50 billion in an appraisal done earlier this year. That's triple Yahoo's current market value.

Bartz never hit any of the price targets that the board set for her when she was hired. That means none of the 5 million stock options that she received upon signing her contract had vested by the time she was ushered out the door.

Investors seemed happy to see Bartz go. Yahoo shares gained 81 cents, or more than 6 percent, in extended trading late Tuesday.

Although Bartz's exit as CEO came suddenly, her departure isn't a shock. The pressure to replace her grew earlier this year after Bartz acknowledged Yahoo's search partnership with Microsoft wasn't producing as much revenue as the companies anticipated.

Then, in May, Yahoo stunned investors by disclosing that [Alibaba](#) had spun off an online payment service in a move that threatened to diminish the value of Yahoo's investment in the Chinese company.

Alipay in July agreed to a complex settlement that could eventually be worth more than \$1 billion to Yahoo, but there were too many

uncertainties in the deal to placate shareholders.

Bostock had steadfastly stood behind Bartz whenever she was attacked by investors or analysts. In a Tuesday statement, Bostock thanked Bartz for "her service to Yahoo during a critical time of transition in the company's history" without providing an explanation for why the board decided to replace her.

BGC partners analyst Colin Gillis said Yahoo's board "has got to look in the mirror here."

"Swapping the CEO without swapping the (board) chair doesn't solve your problem," he said. "The person that hired Carol to begin with deserves to share the culpability."

To help Morse, Yahoo set up an "executive leadership council" that includes some of the executives that Bartz recruited, including the company's products guru Blake Irving and the head of its North American operations, Ross Levinsohn. While he worked for News Corp., Levinsohn helped put together the Hulu video site and is seen as a possible CEO candidate.

Analysts also have speculated that David Kenny, an Internet veteran who joined Yahoo's board in April, might be a candidate for Yahoo's CEO job. Kenny is currently president of Internet networking services provider Akamai Technologies Inc.

With its stock sagging and its management in limbo, Yahoo could be more vulnerable to a takeover attempt by a private equity group or another opportunistic bidder attracted to what remains one of the Internet's best-known brands. Microsoft offered to buy Yahoo for \$47.5 billion, or \$33 per share, in 2008 only to be rebuffed.

©2011 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Yahoo fires Bartz as CEO, names CFO to fill void (2011, September 7) retrieved 23 April 2024 from <https://phys.org/news/2011-09-yahoo-bartz-ceo-cfo-void.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.