

The Yahoo! Saga

What A CEO Will Cost Yahoo!

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potential candidates for the job.

While it's too early to know who will become Yahoo!'s next CEO--the company just announced Yang's demotion to "Chief Yahoo!" on Monday--industry watchers say that despite the Web portal's woes, it shouldn't be hard to find a replacement.

"I'm sure there's going to be some hesitancy for some people," says Edward Deibert, a director at law firm Howard Rice Nemerovski Canady Falk & Rabkin. "Yahoo! is mired in its difficulties, but there are a lot of people out there who'd relish the opportunity to come in and make bold changes."

Dona Roche-Tarry, a partner at executive search firm CTPartners, agrees and contends that Yahoo!'s brand is still strong despite the company's failure to pose a significant threat to Google in advertising, or failure to capitalize on its massive media content. "I think people will be attracted to it," she says, "but it's not going to be for the faint-hearted."

To ensure that Yahoo! has the right CEO candidates, Deibert notes, the company must throw in certain financial guarantees. "The pay package will have lots of incentives and protections," he says. "If it doesn't work out in six months, the person will end up with a healthy amount of money."

The new CEO's contract will also include change of control terms if Yahoo! is ultimately acquired, Deibert

The tech rumor mill has been abuzz with possible candidates to replace Jerry Yang as chief executive at Yahoo! Everyone from News Corp. President Peter Chernin to Kevin Johnson, the former Microsoft exec who helped engineer the software giant's bid for Yahoo!, to Yahoo! President Sue Decker to a slew of lesser tech and media execs have been bandied about the blogosphere as

says, as well as a bonus for meeting certain goals. All told, the compensation package will be "a mixture of cash and equity," he notes. "The company is trading at such an all-time low, the equity could turn out to be quite valuable" if the new CEO can boost the stock. Shares of Yahoo! rose 92 cents, or 9%, to \$11.55 in trading Tuesday.

Industry watchers are also certain that Yahoo!'s new CEO will come from outside the company, so current president Sue Decker's chances for a promotion are slim. "A lot of the current employees have been there a long time and [would be] unwilling to make the drastic changes that are necessary," such as selling the company or making more drastic job cuts, says Morningstar analyst Larry Witt. Yahoo! has announced it will cut 1,500 jobs in the fourth quarter.

Keith Rabois, vice president of strategy and business development at the Web applications company Slide, says what Yahoo! really needs is someone like Steve Jobs to turn it around.

"They need a product visionary CEO who knows what consumers want and what they're going to want in the future," Rabois says. "Yahoo! has been driving with the rearview mirror. You can't drive an Internet business with the rearview mirror."

But, he notes, there are few leaders like Steve Jobs who are around and available, so Yahoo! likely will settle for a "more traditional media-oriented executive who's more strategic" than Yang.

The market is also voting on what Yang was worth, notes columnist Henry Blodgett. He overestimated though: Blodgett predicted Yahoo!'s stock would rise \$2 in the aftermath of the announcement. It was up less than a dollar, putting a \$1.3 billion price tag on Yang. Whatever the price, everyone agrees that Yahoo! needs to find a new CEO ASAP. "I don't think it's going to take a couple of months to find someone," Deibert says. "It will take a couple of weeks. Leaving a company without a head as it's continuing to drift is not a good idea."

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