

Another Yahoo Overhaul as It Tries to Right Itself

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Under pressure from many shareholders for its poor performance and for its failure to complete a deal with Microsoft, Yahoo is doing something it has done several times before: reorganizing itself.

On Thursday, the company announced a broad corporate overhaul that it said would allow it to compete more effectively after the breakdown of merger and partnership talks with Microsoft.

The shake-up, which has been anticipated for about a week, is the latest in a series of corporate realignments at the Internet company over the last 18 months. It comes amid a string of departures of senior executives and high-profile engineers and managers and a looming proxy battle for control of the company's board against Carl C. Icahn, the activist financier.

Susan L. Decker, Yahoo's president, said that "any organization change is disruptive," but added that the move was necessary, and that planning for it had begun before Microsoft announced its bid for Yahoo in February.

"The flip side of disruption is the opportunity for renewed growth and our ability to renew the leadership," Ms. Decker said.

Analysts were skeptical that reorganization would be any more effective than any of the previous ones at restoring Yahoo's fortunes.

"It changes nothing," said Benjamin Schachter, an analyst with UBS Securities. "Companies that are doing well, generally don't do reorgs. They significantly impact morale and show that the crux of the problem is the lack of execution. This is a management team that has not been able to execute."

Shares of Yahoo fell almost 3 percent to close at \$21.37 a share on Thursday, the lowest point since Jan. 31, before the announcement of Microsoft's takeover bid.

The new structure consolidates responsibility around two senior executives, Hilary Schneider and Ash Patel.

Ms. Schneider, a protégé and close friend of Ms. Decker who has risen quickly to one of the uppermost management positions since joining the company in 2006, will lead the bulk of Yahoo's operations in the United States. She was overseeing Yahoo's advertising products and its relationships with other Web publishers.

Mr. Patel started at Yahoo in 1996. Responsible for a broad swath of the company's technology infrastructure, he will now head the newly formed audience products division that will be responsible for product strategy and product management for many crucial Internet services, including search and e-mail.

Under the reorganization, the company also created an "insights strategy" team that is supposed to coordinate the use of data across Yahoo to better understand the needs of Yahoo's customers and partners. It did not name the head of that group. The company also expanded its technology organization, which is overseen by Aristotle Balogh, chief technology officer, creating a group that oversees its cloud computing and data storage initiatives.

The series of reorganizations at Yahoo began in December 2006, when Terry Semel, then the chief executive, shuffled management ranks and streamlined the company to cut the bureaucracy and become more nimble.

Six months later, under growing pressure from shareholders, Mr. Semel resigned and was replaced by Jerry Yang, a co-founder of Yahoo. Ms. Decker became president, a new position,

and then shook up the company's sales unit twice in two months, putting it under Ms. Schneider's control. And at the end of last year, Yahoo revamped its network division, which oversaw the bulk of the company's consumer Web services.

"It is difficult to understand why this needs to happen every 6 to 12 months," said Scott Kessler, an equity analyst with Standard & Poor's. "The implication is that the structure they had six months earlier wasn't adequate to achieve Yahoo's goals."

Ms. Decker defended the moves, saying each addressed a different part of Yahoo's organization.

The latest shake-up essentially splits apart the network division, which had been run by Jeff Weiner, an executive vice president who announced his departure recently. The bulk of Mr. Weiner's former organization now reports to Mr. Patel. But its media group, headed by senior vice president Scott Moore, will now report to Ms. Schneider.

Brad Garlinghouse, another high-profile executive who is leaving and was in charge of the company's e-mail and communications products, will be replaced by Scott Dietzen, who had been president and chief technology officer of Zimbra, the e-mail company that Yahoo acquired last year. Mr. Garlinghouse will leave after a period of transition, the company said.

The executive responsible for running Yahoo search, Vish Makhijani, who is also leaving, is being replaced by Tuoc Luong, on an interim basis. Mr. Luong, who had worked at the search engine Ask.com, will also continue to oversee search engineering efforts.

Ms. Decker said some executives were leaving for personal reasons, while others have been asked to leave and some quit after their jobs changed.

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