Yahoo's Taskmaster

Carol Bartz is shrewd, strong-minded, *blunt*, and disciplined. (Don't even think about leaking company information!) But can this no-nonsense tech veteran come up with a plan to save Yahoo? **BY JON FORTT**

CAROL BARTZ WASN'T INTERESTED when Yahoo co-founder Jerry Yang first approached her about rescuing the company he'd created at Stanford University 15 years ago. As she drove to his home in Los Altos Hills one day last December, she was prepared to be polite and maybe offer some advice. Bartz, who had retired in 2006 from design-software maker Autodesk, didn't need a new gig, and she certainly wasn't looking to play savior to a company she figured needed a CEO with media-industry chops—not her specialty. Out of respect for Yang, though, she found herself in his living room, asking him to draw her an organizational chart. "It was

like a Catholic school kid diagramming a sentence," she later told business partners. Lines crisscrossed everywhere, with no clear system of accountability. By the time he finished, the hooks were in. "I got it," she told Yang. "What you need is a manager."

That's exactly what Yahoo got when it hired Bartz, 60, as CEO in January. She is likable yet hard-charging, given to salty language, and always brutally candid. (In March she told a questioner at a Morgan Stanley conference that she uses Google's online maps because they're better than Yahoo's.) Bartz is also a known quantity in Silicon Valley circles: a seasoned executive who understands technology, is skeptical of the kinds of juvenile-sounding job titles that proliferate at Yahoo (Yang remains Chief Yahoo, for example), and thrives under pressure. Perhaps most important to the Yahoo board, she has shown she can jump-start ailing companies. During her 14-year watch at Autodesk, she delivered compounded annual sales growth of 13%, and the stock price climbed more than eightfold.

Bartz's celebrated management skills are going to be put to the test: Once the wunderkind of the web, Yahoo has floundered as the likes of Google, Apple, Facebook, and Twitter have redefined online communication and commerce—and have grabbed much of the buzz along the way. Marketers have stopped pouring money into Yahoo in favor of Google's more pointed, search-driven ad platform as well as a passel of specialty sites such as Glam.com and Break.com. Last year Yahoo's revenue rose an anemic 3% to $7.2 billion; by contrast the company increased annual sales 47% in 2005. Many investors and analysts believe that Yahoo, despite spurning a $45 billion buyout bid from Microsoft in 2008, ultimately will be acquired or stripped of its most valuable parts.

Bad as things are, though, Yahoo remains one of the most popular online destinations, and users spend more time on Yahoo sites than on any other major web property, including Google. Bartz has the opportunity to harness that popularity to get the business growing again. But first she'll have to come up with a strong vision for Yahoo, a mission that seems at odds with her reputation as a taskmaster and disciplinarian. Is Yahoo a media company, selling advertisers access to its 562 million worldwide unique visitors? Is it a technology conglomerate that builds and delivers applications and services over the web? Or is it perhaps something else altogether?

There's little question that Bartz can make tough, unsentimental choices about which assets and people Yahoo should jettison. (She's already well on her way to fixing that messy org chart and reining in its unstructured culture.) But now she must do something much harder: She needs to figure out and explain what she wants Yahoo to be.

NONE OF THIS WOULD BE Bartz's problem if she had simply stayed retired. After stepping down from the Autodesk CEO job in 2006, she busied herself volunteering with charities, vacationing in Hawaii, tending her garden in Atherton, Calif., polishing her golf game, and serving on the boards of Autodesk, Cisco, Intel, and NetApp. (She's since left the Autodesk and Intel boards.) The first year, she told friends, was great. The second, good. By late 2008—well, the retirement thing was getting old. Bartz missed the thrill, and even the stress, of daily business life.

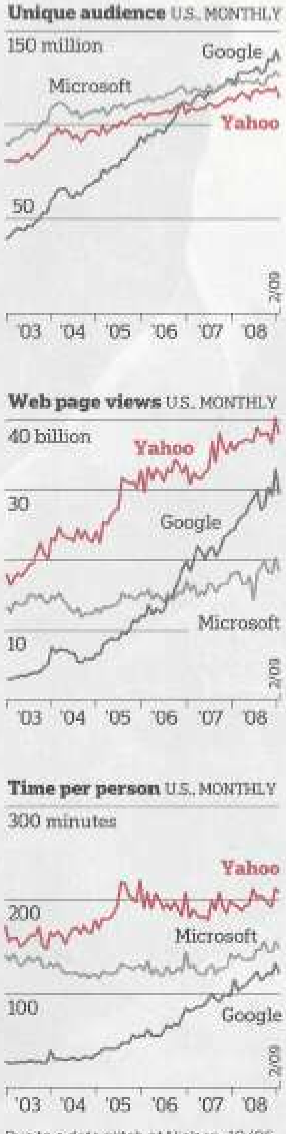
Though she comes off casual, even folksy, in conversation, she has admitted to associates that she's a bit of a crisis junkie. Bill Coleman, a Silicon Valley executive who worked with Bartz two decades ago, recalls taking a trip to Shanghai in November with Bartz and her husband, Bill Marr. (Bartz and Marr have three children, all adults.) "When my wife asked her how she was doing with the transition, she was like, 'You know, this is much harder than I thought. I like golf—I don't love golf. I like Hawaii—I don't love Hawaii.' You could just tell she was ready for something."

Carol Ann Bartz was born in the summer of 1948 in Winona, Minn., a river town on the Wisconsin border. Bartz's mother died when she was 8, and her father, a mill worker, disciplined his kids with a belt. When she was 12, she and her younger brother moved to Wisconsin to live with their maternal grandmother. In high school Bartz was a drum majorette and a science and math geek, and went on to earn a computer science degree at the University of Wisconsin. She worked her way through college as a cocktail waitress at the Hoffman House supper club, donning a uniform that, she has recalled several times since, included a red miniskirt with black fishnet stockings.

The determination that sprang from those humble beginnings stayed with Bartz as she began her career in the early 197os, a time when corporate America often treated women with outright hostility. Undeterred, she did programming, sales, and marketing at 3M and Digital Equipment Corp., and eventually moved into upper management at Sun Microsystems, a scrappy young company she joined when it had about 100 employees and

LOYAL USERS

Google and Microsoft attract more unique visitors, but Yahoo's sites get the most views, and its users stick around longest.

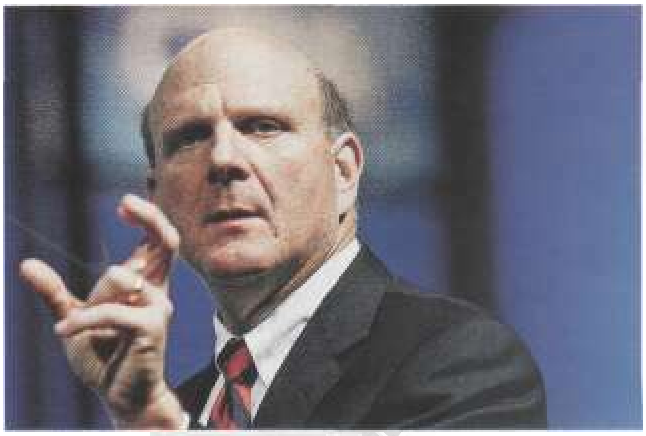


Due to a data glitch at Nielsen, 10/06 number for Google is approximate.

SOURCE: NIELSEN

$9 million in revenue. Her co-workers quickly recognized her as someone with exacting standards—and a sharp tongue.

Venture capitalist Ray Rothrock recalls being on the receiving end of one such lashing when he was a 28-year-old business development manager at Sun. It was the mid-'8os, long before Silicon Valley's casual culture had solidified, and Rothrock had come to work without a tie. Bartz spotted Rothrock's attire and lit into him. "Ray Rothrock!" she snapped, loud enough for the entire department to hear over their cubicles. "You go home, and you put on your coat and your tie. I don't ever want to see you back here again not prepared to meet any customer who walks in that door." It was embarrassing, and effective—from that day forward, he says, everyone came prepared to do business at a moment's notice.



MATING DANCE FOUNDER YANG (LEFT) SPURNED AN OFFER FROM MICROSOFT CEO BALLMER (ABOVE) TO BUY YAHOO FOR $45 BILLION. THE COMPANY'S MARKET VALUE TODAY IS ABOUT $18 BILLION.

As CEO of Autodesk, she managed to succeed despite odds that were farcically stacked against her. When she arrived in 1992, sales growth had slowed and profits had fallen. She had to deal with a founder, John Walker, who had a penchant for sniping at the company's management, and with a band of programmers who bristled at her top-down style. As if that weren't enough, on her second day on the job she discovered she had breast cancer. Bartz had a radical mastectomy, made business calls from her hospital bed, and returned to work just four weeks later instead of the recommended six, a decision she has since said other women shouldn't emulate. "I didn't want people saying, 'There—women finally get to be CEOs and look what happens,'" she told the *New York Times.*

Eventually she silenced any doubters. Bartz transformed Autodesk through a series of smart acquisitions and by encouraging new product development. Autodesk's software and applications became must-have tools for designers and manufacturers alike, thanks to Bartz's insistence that the company methodically roll out new features based on customer feedback. Peers noticed. "Sometimes you get tech industry leaders who are either really great on making money or really great on technology but can't turn it into a great business," says Ann Livermore, a longtime Silicon Valley executive who leads enterprise technology at Hewlett-Packard. "Carol is very balanced between the two."

SOME EXECUTIVES UNDERSTAND TECH, OTHERS ARE GOOD AT MAKING MONEY. BARTZ, SAYS A PEER, BALANCES BOTH.

THERE'S PLENTY FOR BARTZ to tackle at Yahoo, starting with sprawl. David Filo and Jerry Yang's directory of websites weathered the dotcom bust, only to create bigger problems for itself. During a breakneck period of growth between 2003 and 2005, Yahoo expanded into areas such as online dating and job listings, while gobbling up Internet companies, including one called Overture that was the first to figure out a way for advertisers to pay for placement adjacent to online searches. But while Yahoo management was distracted by dealmaking and executive infighting, a crosstown rival, Google, emerged with an entire business essentially built around a technology similar to Overture's.

Google perfected paid search and eventually moved into new areas, such as online applications and maps. Yahoo, meanwhile, lurched from one strategy to the next: Under former CEO Terry Semel, a Hollywood veteran, the company tried to reinvent itself as a digital-media company, complete with original web content and an office in Santa Monica. Semel resigned in June 2007, and Yang stepped in as CEO. His big idea: to seize the lead from Google in search advertising. But Yang's reign, too, had an ignominious end. He was slow to consolidate redundant businesses (two photo sharing properties, multiple social-media sites) and failed to explain the strategy behind his Get Google objective. Sensing chaos at Yahoo, Microsoft CEO Steve Ballmer made the $45 billion bid for his rival, which Yang turned down, much to the dismay of investors. (Yahoo's market cap is about $18 billion today.)

Bartz has brought some much-needed decisiveness and order. She blew up Yang's confusing management structure and tried to impose rules. (She told employees she would "drop-kick to fucking Mars" anyone who disclosed unauthorized company information, a comment that was immediately leaked to the press and blogs.) And she is doing away with "abandoned products floating like debris in space"—Bartz's term of art for ideas that launched in good times, failed to impress, then limped along for years. Properties that fit the description end up on her imaginary Wall of Shame, a list of misfits that a strategy team will save, sell, or scrap. (Online data storage site Yahoo Briefcase and travel tool FareChase, among others, have already landed on the scrapheap.)

She also wants to prevent more space debris from launching in the future. "Yahoo was amateur hour in the past when it comes to product management," she bluntly told business partners last month; groups haphazardly released things without a clear sense of whether customers wanted them. From now on, she has promised, products will arrive on a schedule so that customers can offer feedback, with the best ideas appearing in the next version—a formula that worked well for her at Autodesk.

She's personally soliciting customer comments. Since February, Bartz has been on a listening tour with Yahoo's sales executives, huddling with chief marketing officers, newspaper CEOs, digital ad agency executives—even NBA commissioner David Stern—to find out how Yahoo can get more of their business in a down economy. At a recent series of meetings in New York, she eschewed PowerPoint slides, handed out her business card, took her own notes, and pressed for suggestions on how Yahoo can do better. "When you meet with her, she's very frank. She really doesn't blow smoke," says Nick Beil, CEO of search engine marketing firm Performics, a unit of Publicis Croupe. "I think if she's focused, she can make some pretty big improvements in a short period of time."

"YAHOO WAS AMATEUR HOUR" WHEN IT CAME TO PRODUCT MANAGEMENT, BARTZ TOLD BUSINESS PARTNERS RECENTLY.

One short-term move she likely won't make: selling Yahoo. Bartz has told associates she isn't interested in hawking Yahoo or its search business to Microsoft or anyone else. It isn't that she dreams of overtaking Google, a coup she has privately said is unrealistic. Instead Bartz believes she can use Yahoo's second-place search position to revolutionize online advertising, and in the process restore Yahoo's status as a digital superstar.

If that seems equally unattainable, consider the state of online ads. The rectangular display ads that flash, dance, and wobble everywhere on the web aren't nearly as effective as they should be. The first challenge is targeting. Sites like Yahoo know how to put ads in obvious places—say, a Nissan Altima ad on Yahoo Autos, or an E*Trade ad on Yahoo Finance. Ideally, though, car shoppers and investors would see those ads everywhere on Yahoo based on who they are, not just what they're doing. If Yahoo could find a way to deliver a luxury car ad to a high-income person in the market for a new vehicle while she's checking her e-mail, formerly low-rent ad space on Yahoo Mail could suddenly become valuable real estate. Similarly, advertisers might be willing to spend more on sites that can deliver a payoff: a store visit, a test drive, or a sale—outcomes that Yahoo today tracks poorly, if at all. Bartz is "going to be pushing her staff to think up ways that can be done," says Rob Norman, CEO of WPP's ad-buying giant, GroupM. "It's a matter of finding the measurable thing against which they can sell."

Not surprisingly, every other Internet site is deploying its best and brightest to come up with better ways to serve Madison Avenue. Facebook, for example, hopes to sell ads that target consumers based on user-generated content. Microsoft is getting set to unveil a new-and-improved search engine. It falls to Bartz to explain to advertisers (and employees and investors) what ultimately will distinguish the company from these competitors and others. She's fallen short thus far, telling people in meetings that Yahoo is a "starting point on the web" that strives to "deliver 'wow' experiences." The rap sounds quite a bit like the script recited by executives of companies such as AOL (a unit of Fortune's parent, Time Warner), Info Space, and other web disappointments. Bartz needs to come up with a compelling plan—and a better way of explaining it—if she doesn't want Yahoo relegated to also-ran status.

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