

Revolving Door: Yahoo Ushers Out Another CEO

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SAN FRANCISCO (AP) — Yahoo still has credibility issues, even after casting aside CEO Scott Thompson because his official biography included a college degree that he never received.

The troubled Internet company's next challenge will be convincing its restless shareholders and demoralized employees that the turnaround work started during Thompson's tumultuous four-month stint as CEO won't be wasted.

It won't be an easy task, given that Yahoo has now gone through four full-time CEOs in a five-year stretch marked by broken promises of better times ahead. Instead, Yahoo's revenue and stock price have sagged during a time when rivals such as Google and Facebook as advertisers spend more money online.

"Yahoo has been floundering for years and it looks like there is going to be at least several more months of indirection now that another CEO is coming in," said Adam Hanft, who runs a consulting firm that specializes in brand reputation and crisis management.

Yahoo's hopes are now resting on Ross Levinsohn as its interim CEO. Levinsohn had a successful stint running Internet services within Rupert Murdoch's media empire at News Corp. before one of Yahoo's former CEOs, Carol Bartz, hired him in November 2010 to help her in her mostly fruitless attempt to fix the company.

Thompson, who was hired as Yahoo's CEO in January to fill a void created by Bartz's firing, had promoted Levinsohn last month to oversee the company's media and advertising services throughout the world.

"This may seem like a great deal of news to digest, but as you are all keenly aware, Yahoo is a dynamic, global company in a dynamic, global industry, so change — sometimes unexpected and sometimes at lightning speed — is something we will continue to live with and something we should embrace," Levinsohn wrote in a Sunday memo to employees that was provided to The Associated Press.

Levinsohn, 48, plans to address workers at a companywide meeting Monday afternoon.

Yahoo tried to make Levinsohn's job slightly easier by reaching a truce with dissident shareholder Daniel Loeb, a hedge fund manager who exposed the inaccurate information on Thompson's bio and had made it clear he would continue to publicly skewer the company unless he was given a chance to help develop a turnaround strategy.

To placate Loeb, Yahoo is shaking up its board of directors, which has been in a

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state of flux for several months.

Yahoo Chairman Roy Bostock and four other directors who had already announced plans to step down at the company's annual meeting later this year are leaving the board immediately. All five of those directors signed off on the hiring of Thompson, a move that made them all look bad by the recent revelation that they didn't catch an inaccuracy circulating for years about his education.

Three of Yahoo's vacated board seats will be filled by Loeb, and two of his allies, former MTV Networks executive Michael Wolf and turnaround specialist Harry Wilson.

Alfred Amoroso, a veteran technology executive who joined Yahoo's board just three months ago, replaces Bostock as chairman.

The reshuffled board will now try to complete a long-delayed deal to sell part of Yahoo's roughly 40 percent stake in China's Alibaba Group, an investment that investors view as the company's most valuable asset. If a deal can be completed, it could generate billions of dollars that could be returned to Yahoo shareholders and ease some of the pressure on Levinsohn.

Loeb, who controls a 5.8 percent stake in Yahoo through his Third Point hedge fund, had been waging a campaign to gain four seats on the company's board. Loeb settled for a compromise and Thompson's departure. The two had a falling out in late March when Thompson told Loeb he wasn't qualified to be on Yahoo's board.

Although Yahoo gave no official explanation for Thompson's abrupt exit, it was clearly tied to inaccuracies that appeared on Thompson's biography on the company's website and in a recent filing with the Securities and Exchange Commission.

The bio listed two degrees — in accounting and computer science — from Stonehill College, a small school near Boston. After discovering Thompson never received a computer science degree, Loeb exposed the fabrication in a May 3 letter to Yahoo's board. The revelation raised questions about why the accomplishment had periodically appeared on his bio in the years while he was running PayPal, an online payment service owned by eBay.

Yahoo initially stood behind Thompson, brushing off the inclusion of the bogus degree as an "inadvertent error," but harsh criticism from employees, shareholders and corporate governance experts prompted the board to appoint a special committee to investigate how the fabrication occurred.

Thompson, 54, spent much of the past week scrambling to save his job. He sent a memo to employees, apologizing for distractions caused by news of the illusory degree and then sought to assure other Yahoo executives that he wasn't the source of the inaccuracy. He blamed a Chicago headhunting firm, Heidrick & Struggles.

In an internal memo last week, Heidrick & Struggles denied Thompson's accusation.

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"This allegation is verifiably not true and we have notified Yahoo! to that effect," CEO Kevin Kelly wrote to employees. On Sunday, a spokesman for the firm declined to comment.

In a twist, The Wall Street Journal reported Monday that Thompson had told the board last week that he has thyroid cancer. The diagnosis contributed to his decision to step down, according to the newspaper's unidentified sources.

The flap over the misleading bio elevated the angst in Yahoo just a month after Thompson laid off 2,000 employees, or 14 percent of the workforce, in the biggest payroll purge in the company's history. In recent weeks, Thompson had been drawing up plans to close or sell about 50 of Yahoo's services while also antagonizing much of Silicon Valley with a lawsuit alleging the rapidly growing social network Facebook stole some of its technology from Yahoo.

"In spite of the very bumpy road we've traveled, we are achieving genuine and meaningful successes in the marketplace every day and heading in the right direction," Levinsohn wrote in his Sunday memo.

Stifel Nicolaus analyst Jordan Rohan thinks Levinsohn's media background may make him better qualified to be Yahoo's CEO than Thompson, whose experience is rooted in electronic commerce.

"Ross Levinsohn is common-sense executive, a pragmatic operator who people love to work for," Rohan said. "He is the right guy for this job."

Yahoo's stock has been sagging since it squandered an opportunity to sell itself to Microsoft Corp. in May 2008 for \$33 per share, or \$47.5 billion. Yahoo's stock hasn't traded above \$20 since September 2008.

The shares ended last week at \$15.19, leaving it with a market value of \$18.6 billion. That's slightly less than the individual fortunes of Google co-founders Larry Page and Sergey Brin, whose company was still smaller than Yahoo when it went public in 2004.

Facebook founder Mark Zuckerberg's wealth also could surpass Yahoo's market value depending on the price set in an initial public offering of stock that is expected to be set Thursday.

Yahoo's struggles center on the company's inability to keep up with Google and Facebook in the race for online advertising. Yahoo's annual revenue has fallen from a peak of \$7.2 billion in 2008 to \$5 billion last year. Over the same period, Google's annual revenue has climbed from \$22 billion in 2008 to \$38 billion last year. Facebook's annual revenue has increased from \$272 million in 2008 to \$3.7 billion last year.

"Yahoo has been embattled for such a long time that there are a lot of people prepared to believe the worst about that company," said Post, who specializes in corporate governance and professional ethics. "When you're angry at the

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management and the board, when nothing's going right and you're losing money, it's understandable that shareholders would adopt an 'off with their head' attitude."

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AP Business Writer Christina Rexrode in New York contributed to this story.

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