Yahoo case study

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Report write-up on YahooCase studyYahoo was conceptualized almost accidentally in 1993 by Jerry Yang and David Filo - who were pursuing their electrical engineering degree from Stanford University - while posting a list of their favorite sites on the web, got officially founded in 1994 and incorporated in the year 1995. Initially named “ Jerry’s guide to world wide web”, got later named Yahoo which was an acronym for “ Yet another Hierarchal Officious Oracle”.

The term “ Hierarchal” described how the Yahoo database was arranged, the term “ officious” describing the many office workers who would use Yahoo from their work place and “ oracle” suggesting a “ source of wisdom”. Today Yahoo! Inc. is a multinational internet corporation best known for its web portal, search engine (Yahoo! Search, #2 in search engine market share with 6. 8% market share) and for a variety of other services, including Yahoo! Directory, Yahoo! Mail, Yahoo! News, Yahoo! Finance, Yahoo! Groups, Yahoo!

Answers, advertising, online mapping, video sharing, fantasy sports and itssocial mediawebsite. With revenue figures of $4. 9B for FY’2011, and a market capitalization of $23. 8B, Yahoo’s success story comprises many hits and more misses. After the modest web directory started to attract large influx of visitors on a daily basis, Yang and Filo decided to make business of it by renting advertising space on the Yahoo Directory pages. Capital Investment came in from Sequoia Capital, who proposed to hire a professional CEO to drive the business forward.

After a careful evaluation of a half-dozen candidates, Michael Moritz of Sequoia Capital chose Timothy Koogle, who brought 15 years ofleadershipexperience in high-tech management. Timothy had to use great influence and persuasion skills to bring everybody on board on his vision for the company, one that would create a world connected via the web. His vision encompassed leveraging the company's existing strength of the web directory by providing more and more compelling content and driving higher advertising revenue.

At the same time, create an online platform where buyers could meet sellers, transacting safely over the internet and charging a cut of the revenue for these services provided. They also added customization features for their registered users on their Yahoo financials page so that specific companies of interest could be followed by the users. Along the way, they also helped advertisers reach out to their relevant audience better and thereby increasing the value delivered to them. The strategy was working out very well for Yahoo. Yahoo grew rapidly throughout the 1990s.

It also made many high-profile acquisitions. While everything was going great for Yahoo, they failed to evaluate their strategy at that juncture. Theenvironmentthey were thriving on was that of the dot-com bubble and most companies that were sources of advertising revenue for Yahoo were the dot-com companies. When the dot-com bubble burst, most of these companies went bankrupt drying out sources of advertising revenue for Yahoo. Its stock price skyrocketed during the dot-com bubble, Yahoo stocks closing at an all-time high of $118. 5 a share on January 3, 2000. However, after the dot-com bubble burst, it reached a post-bubble low of $4. 05 on September 26, 2001. While the corporate level vision and strategy were forward looking, the business level strategy needed timely review, the lack of which brought about the downward spiral of Yahoo in a short p. Owing to a huge negative impact on the shareholders' value, Tim Koogle resigned giving the heirs to Terry Semel, a former Warner Brothers executive.

Semel's goal was to arrest the fall in Yahoo's revenues by diversifying from the hitherto advertising centric revenue model to subscription-based, value-added services and increasing the quality in advertising revenue by targeting more stable companies. This strategy was viewed as but a late reaction to the changing market landscape, something that investors expected the leadership to foresee. Terry Semel also had his share of low moments as CEO of Yahoo during the criticism he drew for cooperating with the Chinese officials to release previously confidential Yahoo information to the Chinese government.

He also lost a chance to buy outGoogleduring its nascent years, whose search engine services it used till Yahoo developed its own search engine technologies. Over the years, Yahoo also failed to catch the market trends of social, mobile, local, platform services etc. at the right times, which has resulted in diminishing market share figures in each of the spaces. While Yahoo revenue has dipped for the year 2011, the company's financials look strong with low debt and good cash flow.

Company's new management team is betting big on mobile and connected TV businesses. Mobile applications, where the company is lagging behind competitors like Google and Facebook, is a business line it must produce a turn-around performance on since the markets a trending in that direction. Marissa Mayer, former Google executive, who is now at the helm of the $5B company, would hope to bring her successful experience at Google to Yahoo to deliver the goods on the Mobile platforms business. Discussion

Questions: . To what extent was the evolution of strategy at Yahoo planned? To what extent was it an emergent response to unforeseen events? Yahoo's initial strategy during Koogle's time of foraying into advertising and online portal for facilitating e-commerce and shopping were a planned strategy and were apt for the company with its inherent strengths. however, the portfolio diversification undertaken by Semel was an attempt to lower the risk exposure as a response to the changed business environment. 2.

Could Yahoo have done a better job of anticipating the slowdown in advertising revenue that occurred in 2000 – 2001 and positioning itself for that slowdown? How? What might it have done differently from a strategic planning perspective? In order to achieve a sustained competitive advantage, a firm must adapt to the change in the market trends. As a strategy evaluation process, yahoo could have foreseen the dot-com bubble burst as the bubble formation was a process that had initiated around '98. Analysts highlighted the risk in staying invested with the dot-com companies.

There was surplus income available with retail investors during that period, which is suggestive of a trend of higher demand of normal goods / services over inferior goods / services. Yahoo could have seen this trend and positioned itself for a niche product / service offering. 3. Does Yahoo have a source of potential long-term competitive advantage? Where does this come from? Yahoo has a good cash flow – a low debt and also a business model in place for buyers to meet sellers. Social Media has played a key role in penetrating the market – creating awareness of using the online medium.

Yahoo has the system in place to capitalize this strength in order to optimally utilize the buyer-meet seller platform – expand it from retail presence to corporate interactions, include a model that addresses webinars for multiple industries eg pharma meet can be entirely conducted online – creating a significant cost advantage for the participants and also adding to its revenue by marginal investments that wont affect its balance sheet either. 4. What does Koogle's resignation in May 2001 tell you about the role of a CEO in a public company?

CEO's role in a public company has evolved over the years, but in essence, remains that of a custodian of the shareholders' value. Koogle had a very good vision and strategy for the company, which did transpire into success initially. While the formulation of the strategy may have been done well, the execution at the business level and evaluation of the strategy could have been better. Even towards the end of Terry Semel's tenure in 2006, his salary was reduced to only $1 (with $70M worth of stock options ofcourse) due to shareholders' dissatisfaction.