

Meg whitman at ebay essay



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Meg Whitman at eBay—Group Case Analysis Upon being hired as the Chief Executive Officer (CEO) of eBay, Meg Whitman came into a new, developing company on the brink of explosive growth.

eBay was founded in 1995 by Pierre Omidyar as an online, equal access, person-to-person trading community based on principles of mutual honesty and respect. Simply stated, eBay was a company that created the necessary software and forum for the general public to buy and sell goods—any goods. eBay did not own, ship, or physically handle any product bought or sold in its marketplace. Thus, eBay relies on its community of users to determine the products, pricing, shipping, and perhaps most importantly, quality controls of the business. As such, Omidyar's concept found increased success as users regulated each other through community-based forums. A new community culture was created.

Recognizing further potential for growth, Omidyar, along with other stakeholders, hired Meg Whitman as CEO in March of 1998 with the intent of building upon the eBay brand while preserving the community culture that had brought the company so much success. In the span of just over one year, Whitman led the company through several acquisitions and strategic moves, including eBay's successful Initial Public Offering (IPO). These moves grew customer base and pleased Wall Street, but ran risks of alienating the community that had brought them success. Growth with Meg Whitman at the helm was realized quickly and presented a new issue for the organization as it expanded: How can eBay preserve its existing community culture and values, while simultaneously growing the company? Since its creation, the

user community was given complete control and freedom of content. It was self-policed.

Under Whitman's leadership, Wall Street pressures and shareholder value became a factor in corporate decision-making. For example, the removal of firearms from eBay was perceived positively by Wall Street, but frowned-upon by the community (arguable the vocal minority of the community) and some employees, who valued the existing free marketplace ideology. Furthermore, acquisition of the online, upscale Butterfield & Butterfield increased the amount of high-end items available online (and therefore increased profits), but was seen by some in the community as a non-analogous addition. Whitman faces this primary issue with each decision she makes, and continues to face it as she ponders whether to acquire Kruse International. Analyzing the transformation of eBay through the strategic, political, and cultural lenses, the changes made by Whitman crystallize.

Previous to Whitman's leadership, eBay's organizational structure was flat, led primarily by engineers, and lacked a strong marketing function. The business, in essence, was structured to meet only the needs of the current customer base. Upon her arrival, Whitman quickly went about changing the structure of the organization, with an emphasis on marketing. She transitioned the company to a more functional organization. However, rather than develop a deep organizational structure with level upon level of reporting requirements among senior positions, Whitman developed an organization consisting of several executive positions which reported to her directly.

This allowed Whitman to be involved in all aspects of the organization and decision-making processes, but (arguably) keeps much of the previous autonomy among individual divisions constant, thus keeping the communal spirit that pervaded the organization. A heavy emphasis on marketing side is intended to help meet the strategic goal of growing the company. Of note, newly-hired executives were hired from outside the company, rather than from within. This may have had a negative impact on internal employees hoping to advance within the organization.

Additionally, the introduction of so many executives hired from the outside surely introduced a variety of cultural and management styles to eBay that did not previously exist. While she and most executives came from the outside, Whitman effectively used people from within eBay to achieve her intended goals. This is especially prevalent when observing how she leveraged the political power and influence of eBay's founder, Pierre Omidyar. Omidyar was well-liked. He was the founder. He valued input from everyone.

He valued the customer. He was successful. Whitman was well-aware of these attributes, and she used them to solidify her legitimacy. Whitman did an extremely effective job of involving Omidyar in all decisions and any corporate course adjustments. She established an alliance and appeared lock-step with Omidyar to employees and to eBay's shareholders.

This alliance increased Whitman's power and influence and established her as the clear leader of the company. In addition, Whitman was not a heavy-handed leader. As exemplified through her decision to remove firearms from

the auction site, she achieved buy-in from associates before announcing a company-wide policy change. Whitman led through influence and coalition building, not control.

So many changes over a short period of time could have led to the downfall of eBay's strong community culture and may have caused dissension among some employees, but it is clear that Whitman's effective leadership built on existing corporate culture and expanded it to fit the growing organization and customer base. Weekly employee meetings were changed to quarterly, which could be viewed as a negative shift away from the employee-centric culture that previously existed. Positively, Whitman's ability to create an understandable engineering language (her "seats on the bus" analogy was adopted company-wide) shows her dedication to a previously foreign business environment. Preserving the community culture while growing the business, the issue facing Whitman as she chooses whether to acquire Kruse, came about through conscious decision-making.

Alternative choices were available as she took over the company and are available as she ponders Kruse. Whitman could have chosen originally to focus on strengthening support for eBay's core community of users, rather than focus so much on aggressive growth. By taking the company public, Whitman created an allegiance to two groups—the shareholder and the customer. From the point in time of being a publicly traded company, Whitman created an obligation to the shareholder that she could not ignore, an obligation that includes pressure to grow and succeed.

Had she initially avoided such a decision, perhaps more focus could have been made strengthening the core community. Other alternatives exist.

Upon making big decisions for the company, Whitman could seek the opinion (by proxy vote or focus group) of employees and customers as to whether or not a company should be acquired. This is a potentially dangerous approach in that it decentralizes decision-making. Another approach would have been for Whitman to keep eBay's core, niche online trading business intact, as-is.

As company's were acquired, those organizations would be kept separate from the core eBay community. In other words, eBay would own several online auction companies but would keep them distinct. Each culture would remain distinct. This approach runs the risk of having eBay essentially compete with itself in the online trading business. Clearly, positives and negatives exist with each option.

Overall, Whitman's decisions, change in organization, and focus on growth keeps eBay well positioned to maintain favorable results in the future. While retaining the same sense of trust and self-policing that existed originally is difficult, Whitman has retained the original eBay spirit. Whitman should choose to acquire Kruse. Not all acquisitions would make sense in the online auction industry, but Kruse fits in with Whitman's strategy of acquiring more high-priced goods for increased profit. It is a natural part of the company growth strategy.

Like acquisitions that came before it, Whitman will need to remain cognizant of the community that eBay created, and continue to treat it as an essential part of a successful business. Acquisition of an antique car auction site, such

a high-end product, runs the risk of alienating the “ beanie-baby” base that gave eBay its original success. However, the Internet has grown since eBay’s infancy, and consumer interest in online goods has changed. Introduction of more high-priced goods to eBay will not necessarily stop a collector from selling a \$10 item.

eBay’s obligation to its shareholders must be considered with each potential acquisition. By focusing on growth by wise acquisitions such as Kruse, supporting its community, and building brand recognition through strong marketing, eBay is poised for continued success.