



## Memo to Microsoft: Yahoo's A-list

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### **Working at Yahoo is getting riskier by the day. Even before merger-minded Microsoft could lay off some of the stars within its acquisition target, Yahoo executives beat them to it.**

But there are some key Yahoo employees who are so indispensable for their experience, skill or leadership, that Microsoft would be crazy to let them go in the event of a merger, observers, insiders, and former Yahoo employees say.

Several of those mentioned by sources as vital to Yahoo were among the casualties of Tuesday's layoffs, which totaled an estimated 1,100. The layoffs are the latest black spot for Yahoo, which has been struggling to redefine itself in the shadow of Google's dominance in both search and online advertising. In an attempt to better compete with Google, Microsoft [has made a \\$31-a-share offer for Yahoo](#), but Yahoo's board [has rejected it as too low](#).

"The company was significantly overstaffed and with a coming consolidation with Microsoft there is going to be pretty dramatic overlap," said Jim Barnett, who left Yahoo in 2003 and is now chief executive of Turn, an automated targeting ad marketplace.

One of the main reasons Microsoft is aiming to buy Yahoo is to improve its expertise on the Web--a market the software giant has yet to dominate despite its best efforts. Even though Yahoo has been struggling, the Internet company is viewed as rich with valuable online brands and talented people. Microsoft will likely want to keep Yahoo employees in a host of areas, including online advertising, social media, and Web search.

"Microsoft needs assistance in the Internet business so they're going to be looking to bring in some Internet-based talent. Yahoo's a step up for them," said Steve Weinstein, research analyst at Pacific Crest Securities.

Still, many talented people departed Yahoo with the layoffs. Casualties include Randy Farmer, who was a community strategy analyst at Yahoo and a virtual worlds pioneer, and Bradley Horowitz, who headed up Yahoo's Advanced Technology Division and oversaw Brickhouse. Horowitz, who could not be reached for comment, may have taken a voluntary severance package and is reported to be joining Google. Salim Ismail, one of his top managers at Brickhouse--a program dedicated to launching innovative products--[left voluntarily](#).

The departures of Brickhouse executives seem to undermine a need at Yahoo to focus on innovative, community-based Web services.

### **Who to keep**

Among the talent pool at Yahoo, several executives stand out in divisions such as social media and search. Those include Jeff Weiner, who oversees Yahoo's consumer Web products. Several sources said he would be a must-hire for Microsoft. "He's a brilliant guy with tremendous insights," said Brian Bowman, who left Yahoo in 2006 as vice president of community and is now chief marketing officer at Reply.com.

Flickr co-founder Katarina Fake is also revered for creating one of the most popular social-media applications, at Yahoo and on the Web. "It would be absurd to lose anyone from Flickr or Delicious," said Danny Sullivan, editor of Search Engine Land.

Several sources also praised Tapan Bhat, vice president of front doors at Yahoo; Scott Moore, who left MSN and is head of Yahoo News; and Brad Garlinghouse, head of communications and community at Yahoo, who bravely wrote the famous ["Peanut Butter Manifesto"](#) in 2006 that foreshadowed Yahoo's current problems and suggested layoffs, management changes, and a refocusing on core products.

Given Yahoo's strong background in search, there were several notables in that department that sources said are vital. At the top of several sources' lists was Qi Lu, executive vice president of engineering search and search marketing. Lu is essentially responsible for Yahoo's efforts to make money from Web search--and despite search-market losses to Google, that financial engine is profitable. Microsoft could help Yahoo repackage search in a simpler format to take on Google again.

"(Lu) is recognized as one of the strongest senior engineers at the company," said one source, who asked to remain anonymous.

Others highly respected in the search business include Tim Cadogan, senior vice president of search, listings, and display marketplace, who came with Yahoo's Overture acquisition; John Thrall, head of multimedia search engineering; Jan Pederson, chief scientist for the search and marketplace division; Tim Mayer, vice president of product management in search, and Vish Makhijani, a senior vice president of search.

Microsoft will want to hold on to the media-advertising expertise at Yahoo, too, despite Redmond's ownership of ad and technology firms Avenue A and Altas. Insiders say that those businesses aren't as efficient as they could be, and Microsoft will need to retain the network media people inside Yahoo's performance ad companies Right Media and Blue Lithium to focus on driving traffic outside the network. People working on behavioral targeting, data mining, geo-targeting, and ad profiling will be key to any acquisition.

"It's a technology-driven business--you need the ad server engineers and product people," said a source inside the company. "What you don't need is tons of middle management and content producers. You can strike revenue-share agreements with writers groups and do a better job at it."

**Dave Vockell, vice president of ad strategy, and David Karnstedt, senior vice president of North American sales, are others in Yahoo's advertising business that should be kept on the payroll, sources said.**

Similarly, Microsoft would likely want to retain Usama Fayyad, Yahoo's chief data officer and executive vice president of research and strategic data solutions. Before coming to Yahoo, Fayyad was the co-founder of two data-mining companies, the DMX Group and DigiMine (which is now Revenue Science). And he spent five years at Microsoft Research running its data mining and exploration group, following a stint at NASA's Jet Propulsion Laboratory.

### **Voted least popular**

Sources say the fat of Yahoo lies in a gigantic middle layer of management, comparable to a list of producers on Hollywood film credits. And there are some executives at Yahoo who are not likely to make the Microsoft must-have list. Some criticize Yahoo's hiring of Aristotle Balogh as chief technology officer, for example, given his background as former CTO of security company Verisign. And Marco Boerries, executive vice president of Yahoo's connected life division, is a controversial figure inside the company, according to sources.

"He was not so well liked internally and Microsoft already has their mobile gurus in Redmond, Wash.," one source said of Boerries.

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As for those executives already leaving the company, some former Yahoo employees say their absence is a real loss.

"Horowitz is a real superstar. Smart, charismatic, an inspiring speaker and was the 'voice of the innovator' internally," said one former Yahoo executive. "In many ways he represents what Yahoo (and Microsoft) need--about a dozen more Bradleys."

For Farmer, the layoffs came as a surprise. "Many of the people around me that I heard were laid off were, in my opinion, top quality," he wrote in an e-mail to CNET News.com.

"Microsoft has attempted to recruit me at least twice before. I'm not at all sure I'd spurn them again," Farmer wrote. "In less than 24 hours since my layoff, I've received e-mails of interest from several Yahoo competitors."

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