Changing the Culture at Yahoo!: Marissa Mayer’s Challenge

This case was written by Adapa Srinivasa Rao, under the direction of Debapratim Purkayastha, IBS Hyderabad. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
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“The human element is central to bringing Yahoo back to its one-time spot as a top consumer Internet company. My goals are simple: To execute faster, hire top talent, and make Yahoo the absolute best place to work.”

– Marissa Ann Mayer, CEO of Yahoo!, Inc. in October 2012.

“Overall, we think that Marissa Mayer’s efforts to change the culture at Yahoo! can provide long term benefit to the company. As a CEO she, by herself, can only do so much. To ensure long term innovation, and relevance, the company must foster a culture of innovation, something that Mayer seems to be striving for.”

– Trefis\(^a\), in September 2012.

“[W]e are a little more optimistic in terms of what they could potentially do, but by no means is this an overnight fix. This is something that likely will be a few years in the making.”

– Ron Josey, analyst, Think Equity LLC\(^b\) (ThinkEquity), in September 2012.

In an email sent to the employees of Yahoo! Inc. (Yahoo) on August 25, 2012, Marissa Ann Mayer (Marissa), the new CEO of Yahoo, unveiled a new program called Process, Bureaucracy, and Jams (PB&J). The new initiative, one of the many planned by Marissa since she had joined Yahoo, aimed to remove the bureaucratic culture prevalent in the company. The initiative encouraged the employees to give their suggestions on improving the work environment at Yahoo. Suggestions and ideas given by the employees were to be ranked by the other employees in the organization and the best of them would be implemented by the management. The new initiative was democratic and encouraged more participation from Yahoo’s employees in taking key decisions regarding the future of the organization. Marissa had also implemented many other initiatives to boost the morale of Yahoo’s employees like giving free mobile phones and free food, keeping the office lights on late in the night, etc.

Since the mid-2000s, Yahoo had been steadily losing its dominance in the internet services space to new rivals and had not been able to introduce any major innovations. Many analysts felt the organizational culture prevalent at Yahoo was one of the major reasons for its failure to compete effectively with its rivals. Yahoo followed a matrix organizational structure which made decision making difficult, they said. Yahoo’s board appointed Marissa, a former senior executive at Google, Inc. (Google)^c, as the new CEO of Yahoo in July 2012 based on a recommendation by the search committee appointed by it. Marissa was the fifth CEO of Yahoo in as many years. Yahoo’s board had shown many of its former CEOs the door as they had failed to provide the leadership needed

\(^a\) Trefis, headquartered in Boston, Massachusetts, USA, is a stock analysis firm.

\(^b\) ThinkEquity LLC, headquartered in San Francisco, California, USA, is a leading investment banking firm.

\(^c\) Google, Inc., headquartered in Mountain View, California, US, is a leading internet company in the world.
to turn the company around. Marissa was given the responsibility of reviving Yahoo’s fortunes and making the organization competitive again. As soon as she took over the reins of Yahoo, she started to focus on changing the organizational culture at the company as a major strategy to revive the company. She replaced many senior executives of the organization to bring fresh perspectives into the organization. According to Chris Sacca, Independent Venture Investor, “Yahoo finally has someone who has both business acumen and geek cred at the helm. She stands for a work hard/play hard, product- and engineering-driven culture, and Yahoo has been missing that for years.”

But opinions were divided on whether Marissa would actually be able to bring about a change in the company’s fortunes. While some analysts opined that she might not be able to affect a change in the culture of an established organization like Yahoo quickly, others felt that it might not be so difficult with good commitment from the top management.

BACKGROUND NOTE

Yahoo was founded by two PhD. students of Stanford University Jerry Yang (Yang) and David Filo (Filo) in 1994 in Sunnyvale, California, USA. It was initially started as ‘Jerry and David’s Guide to the World Wide Web (JDG),’ a website which acted as a directory of several other websites. Yang and Filo started the website to cater to the needs of the people who wanted to go to a single place and find websites related to diverse areas. Over time, JDG became very popular and became the first choice of people browsing the web to find sites intelligently. It helped people to discover useful, interesting, and entertaining content on the Internet. JDG was later renamed as Yahoo\(^d\) in 1994 and was positioned as a customized database intended to serve different users. Yang and Filo developed customized software to help users locate, identify, and edit information available on the internet. Yahoo quickly became very popular among internet users and it attracted a lot of media attention.

Yahoo was formally incorporated in March 1995 and started implementing a business plan modeled on that of traditional media companies. Sequoia Capital\(^e\), a well-known venture capital firm, agreed to fund Yahoo in April 1995, with an initial investment of US$ 2 million.\(^f\) Yahoo generated its revenues mainly from online advertisements, banner ads\(^g\), and ad placement fees, promotions,\(^h\) sponsorships, direct marketing\(^i\), and merchandising. It also generated revenues from monthly hosting fees and commissions on online sales from its merchant partners. These included transaction fees generated from the sale of merchandise on its site. In 1995, Yahoo appointed Timothy A. Koogle (Koogle) as its CEO and strengthened its management team significantly. Koogle was an engineering graduate from Stanford University and had spent nine years in Motorola, Inc.\(^j\) (Motorola) before joining Yahoo. His appointment led to the introduction of more innovations in Yahoo. Yahoo became the first company to introduce an online navigational guide

\(^d\) Yahoo is the abbreviation for Yet another Hierarchical Officious Oracle.

\(^e\) Sequoia Capital, headquartered in Menlo Park, California, US, is a Silicon Valley-based venture capital firm founded by Don Valentine in 1972. It has invested in many technology companies like Yahoo!, Google, PayPal, Electronic Arts, YouTube, etc.

\(^f\) Banner advertisements appeared on web pages within various Yahoo channels. Hypertext links were embedded in each banner advertisement to give users instant access to the advertiser’s website, to obtain additional information, or to purchase products and services.

\(^g\) Promotional sponsorships were typically focused on a particular event, such as sweepstakes. The merchant sponsorship icon advertised products. Users had to click on the icon to complete a transaction.

\(^h\) Direct marketing revenues came through e-mail campaigns targeted at Yahoo’s registered users who had indicated their willingness to receive such promotions.

\(^i\) Motorola, Inc., headquartered in Schaumburg, Illinois, US, was a leading American multinational telecommunications company.
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on the Internet. It also started offering media content, communication, personalized information, and commerce services on its website. In July 1996, Yahoo launched My Yahoo!, a personalized web information service. This service allowed users to create their personal profile and access information based on their personal interests. Its new services such as Yahoo! Address Book, Yahoo! Calendar, Yahoo! Briefcase, Yahoo! Phone Book, and Yahoo! Notepad helped users to manage their personal information by providing services. Yahoo raised US$ 33.8 million by selling 2.6 million shares through an IPO in April 1996. The amount raised through the IPO was used to expand its operations.

By the late 1990s, Yahoo had developed into a leading international web portal. It made a number of strategic acquisitions over a period of time and this helped it to diversify its services and expand its business. It also reported a substantial growth in its revenues between the years 1997 and 2000. More than 85 percent of its revenues came from the sale of banners and sponsorship advertisements while the remaining came from business services and e-commerce transactions. At the end of 2000, Yahoo had been drawing 180 million unique visitors, which made it one of the leading internet brands. In 2006, Yahoo emerged as the world’s largest provider of online services. It offered a variety of products and services that enabled customers to communicate with one another and find, create, share, and access information.

But the emergence of other leading internet firms like Google increased the competition for Yahoo in key areas like internet search and email. According to many industry experts, Yahoo had also grown complacent and did not adapt itself properly to the rapidly changing business environment. As Yahoo was heavily dependent on the advertising revenues generated by the dotcoms, the dotcom bust of the early 2000s severely affected the revenues generated through these dotcoms. The online advertising market too had undergone many changes in the early 2000s and advertisers had started to look beyond banner ads, toward a new genre of ads that integrated internet, television, and radio. But Yahoo failed to understand what kind of advertisements worked for its customers. Analysts also said it failed to make any significant changes to its age-old business model to cater to the needs of a wide range of customers. It deployed a new set of search technologies in 2004 to effectively compete with Google. Yahoo introduced some new features in its email service in 2007 to compete with Google’s Gmail. But these did not yield the desired results. It had to lay off a number of its employees in 2008 as it struggled in the market.

In February 2008, Microsoft Corporation (Microsoft) made a bid to acquire Yahoo for US$ 44.6 billion. The bid was rejected by Yahoo on the grounds that Microsoft had undervalued the company substantially. Between 2007 and 2012, Yahoo changed four CEOs in order to improve the performance of the company. Its share price fell drastically, reflecting the poor performance of the organization (Refer to Exhibit- I for a graph of Yahoo’s share price from January 2006 to January 2013). But none of the CEOs were able to revive the fortunes of Yahoo. For the fiscal year 2011, Yahoo had revenue of US$ 4.98 billion (Refer to Exhibit- II for the key financials of Yahoo from 2007 to 2011).

FIFTH CEO IN FIVE YEARS

In May 2012, Yahoo fired its CEO Scott Thomson (Scott) just four months after his appointment. Scott was dismissed by Yahoo’s board after it was found that he had falsified his résumé by including a computer science degree which he did not have. Scott’s sudden ouster led to chaos in Yahoo which had been facing a string of crises. Yahoo appointed its head for global media business, Ross Levinsohn, as interim CEO till it found a new CEO. Later, in July 2012, Yahoo’s board appointed Marissa as its new CEO upon on the recommendation of the CEO search
committee appointed by it. Marissa was the fifth CEO of Yahoo to head the organization in five years\(^k\) (Refer to Exhibit-III for the list of Yahoo’s CEOs since its inception). A former longtime executive of Google, Marissa obtained her master’s degree in computer science from Stanford University and began her career at Google in 1999. She was the 20\(^{th}\) employee of Google and was involved in the development of Google search services and was in charge of its user experience\(^k\) during her first five years at Google. She quickly gained a reputation as an effective leader and was instrumental in the development of some of its iconic products like the Google homepage, Gmail, and Google News. At the time of joining Yahoo, Marissa was responsible for Google’s mapping, local, and location services.

Commenting on the appointment of Marissa as its new CEO, Yahoo board’s chairman, Fred Amoroso, said, “The board was drawn to Mayer’s unparalleled track record in technology, design, and product execution.”\(^k\) Many analysts said that by appointing Marissa as its new CEO, Yahoo was seeking to focus on the functionality of its products. Industry experts too were excited about the choice of Marissa as the CEO of Yahoo. Martin Sorrell, CEO of WPP plc\(^l\), said, “It’s a very interesting departure and a very interesting choice. She comes with a formidable reputation, but we’ll see how she analyzes it all.”\(^9\)

Marissa was also good in nurturing talent. During her Google days, she started a leadership training program called Associate Product Manager (APM) for Google’s top-notch engineers. The objective of the APM program was to encourage people to grow up to be leaders and realize their full potential. The APM program was a big success and later inspired many similar programs by other companies in Silicon Valley.

Despite being one of the most visited portals on the internet with 700 million monthly visitors, Yahoo could not introduce new products in the search, social, and mobile space to increase its revenue base (Refer to Exhibit-IV for the list of services offered by Yahoo). Its revenues had been stagnating for many years and industry experts had started to express doubts on the future of Yahoo (Refer to Exhibit-II for the key financials of Yahoo from 2007 to 2011). Yahoo’s board was looking for somebody who still had confidence in the company’s future. Its board finally zeroed in on Marissa as they thought that she could make Yahoo flourish again. Michael J. Wolf, Yahoo director and person in charge of the CEO search, said, “The board wanted someone who believed Yahoo can grow again and who believed they could do it.”\(^10\)

**CHANGING CULTURE AT YAHOO**

Despite all the troubles that were plaguing Yahoo in 2012, it was one of the major portals on the internet with 700 million visitors and many people still used its services like email and search. But Yahoo was unable to come up with appealing new products for its consumers in areas like social networking and was lagging in other key growth areas like mobile internet. It was steadily ceding advertising market share to its competitors like Google and Facebook and was unable to increase its revenue. Its reliance on cost cutting rather than finding new areas for innovation and growth frustrated investors and pushed down its stock price. \(^{11}\) Many analysts and even some Yahoo insiders blamed the culture at Yahoo for its problems. According to Paul Graham, co-founder of Viaweb\(^m\), even in the late 1990s, “The company felt prematurely old. Most technology companies

\(^k\) User experience involves taking care how people navigate the Google’s sites and maintaining the simplicity of Google’s services.

\(^l\) WPP plc, headquartered in London, UK, was a major advertising and public relations company in the world.

\(^m\) Viaweb was the first software as a service company, which was acquired by Yahoo in 1998, where it became Yahoo Store.
eventually get taken over by suits and middle managers. At Yahoo it felt as if they’d deliberately accelerated this process. They didn’t want to be a bunch of hackers. They wanted to be suits. A media company should be run by suits.”

Unlike some of its competitors like Google, Yahoo couldn’t take decisions speedily. It followed a matrix organization structure which, according to its critics, inhibited the speed at which it could take decisions regarding new projects and killing unviable ones. Salim Ismael, an employee of Yahoo, said, “Yahoo takes too long to make decisions. On the Internet you need speed, and you need to take risk. Yahoo accidentally adopted a matrix organization structure that’s antithetical to both.”

The constant change of CEOs also resulted in many key projects being dropped in the planning stage or even in the middle of execution. Besides, the lack of stability at the top management level led to many senior executives leaving the company.

The infighting among the top leadership at Yahoo, which saw the ouster of Yahoo’s co-founder Jerry Yang in 2012, led to the emergence of a ‘consensus based culture’ at Yahoo. Unlike the new internet companies like Google and Facebook, every major new initiative at Yahoo had to pass through a number of stages which ultimately led to delayed decision making. Many new initiatives related to emerging areas like mobile internet got stuck in the bureaucratic tangle and never saw the light of day. Commenting on the company’s culture, Rich Rygg, a former manager at Yahoo, said, “This was Yahoo’s most fundamental problem. It was always management by persuasion, not management by dictation.”

Many efforts taken in the past to introduce a freer culture which could speed up the decision making process had failed. The initial informal culture which had prevailed since its founding days was converted to a strict, formal culture by subsequent CEOs like Terry Semel. Over time, this led to the bureaucratic culture taking firm root in Yahoo, preventing any revival in its fortunes.

NEW LEADERSHIP FOR A NEW CULTURE

As soon as Marissa took over as the CEO of Yahoo she set about the task of reviving the company’s fortunes. One of the key challenges before her was to change the culture at Yahoo to make the company competitive again. She replaced some senior executives with new people whom she perceived to be more growth oriented. Marissa believed that a new and strong top management team at Yahoo would help in bringing in fresh perspectives and help in changing Yahoo’s bureaucratic culture. She appointed Ken Goldman as the new CFO of Yahoo and Kathy Savitt as the new CMO (Chief Marketing Officer). Ken Goldman replaced Tim Morse who was known to have focused too much on cost cutting and less on the company’s growth. Kathy Savitt had good experience working in internet and technology companies and would be responsible for revitalizing the Yahoo brand among the younger users of the internet.

A veteran from Google, Henrique De Castro (De Castro), was appointed as the new COO (Chief Operations Officer) of Yahoo. De Castro was to be responsible for reviving the display advertising business of Yahoo which had taken a hit due to the increasing popularity of the latest search engines like Google and Bing. De Castro would be responsible for the strategic and operational management of Yahoo’s operations, sales, and other general development by repairing the relationships with big ad agencies and other buyers of display advertising.

Recognizing the need for harnessing the talent of Yahoo’s employees, a new position called executive vice-president of people and development was created. Marissa recruited a veteran investment banker named Jackie Reses (Reses) for the post of EVP, people and development. Reses would be responsible for HR, business development, strategy, and M&A activities at Yahoo.

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A matrix organization structure is an organization structure where employees from different functional disciplines are drawn into a team to facilitate horizontal flow of skills and information. Employees in a matrix organization structure report to the respective project or product manager whose authority exists horizontally across departmental boundaries.
The former HR head at Yahoo, David Windley, was fired immediately after Marissa took charge of Yahoo. David Windley’s tenure at Yahoo had seen a lot of brain drain and layoffs. She had worked in Goldman Sachs Group for 7 years and had also gained experience in running a big company when she worked as the CEO of iBuilding Inc. Before joining Yahoo, Reses was a partner and head of the media sector at the private equity firm Apax Partners LLP (Apax). When working at Apax, she was extensively involved in recruiting, training, and executive development activities where she had gained lot of HR experience.

Many analysts opined that Reses would be a key member in Marissa’s core team for restructuring the company by changing its organizational culture. Commenting on Reses joining Yahoo, Marissa said, “With her energy, insights, and ability to build & transform great teams, I’m thrilled Jackie Reses is joining Yahoo!” A major HR related problem at Yahoo was the paucity of talented people as many of the good executives had left the organization when it started to underperform its peers. Analysts said that many of the employees who were left at Yahoo were second rate and did not have enough drive to turn the company’s fortunes around. Commenting on the talent problem at Yahoo, a senior executive at Yahoo said, “Over the past couple of years too many of Yahoo’s B-players have hired C-players and these people are not fired up to come to work.” Reses’s main task ahead was to recruit more talented people, nurture their skills, and devise better incentive schemes for them. In a statement released after joining Yahoo, Reses said, “As Yahoo! looks to develop and define its future, hiring, managing, and incentivizing talent will be of key importance.”

THE PB&J PROGRAM

The key task assigned to Marissa was to make Yahoo competitive again and to get it to effectively compete against companies like Google and Microsoft. And one of the main hindrances to innovation at Yahoo that analysts often cited was the notorious bureaucratic culture which grew rooted at Yahoo over the years. Many talented senior engineers at Yahoo had also left the company as it had not introduced any major innovation for many years. Yahoo’s existing customers too were visiting the site just to use its older services like email and search which they had been using for a long time. Yahoo could not come up with any innovative product in the emerging areas like social networking and mobile internet services. Marissa aimed at restructuring Yahoo’s operations and introducing new products to retain existing customers and attract new ones. Soon after taking over as CEO, she communicated her vision for Yahoo: “The most important thing is to give end users something valuable, inspiring, and delightful that makes them want to come to Yahoo! every day.”

Right from the time she took over as CEO, Marissa mainly focused on the people at Yahoo to turn the fortunes of the company around. Within a month of assuming office, Marissa introduced a new initiative called Process, Bureaucracy, and Jams or ‘PB&J’. PB&J was essentially the new age version of the old suggestion boxes for employees in offices. Marissa unveiled the program in an email sent to all the employees on August 25, 2012 (Refer to Exhibit-V for the memo announcing the PB&J Program). The email also outlined the initiatives taken by Marissa herself since she had taken over as Yahoo’s CEO. The initiatives, which ranged from providing free food to Yahoo’s employees at the company’s cafeteria to giving free iPhones, were intended to make

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* Goldman Sachs Group, Inc., headquartered in New York, USA, is a leading multinational investment firm.
* iBuilding Inc., headquartered in Philadelphia, Pennsylvania, USA, is a leading real estate software firm in the US.
* Apax Partners LLP, headquartered in London, UK, is a leading private equity and venture capital firm in the world.
Yahoo an exciting place to work. She hoped that these initiatives would improve the morale of the employees and make them work harder. Marissa aimed at making Yahoo a better place to work through the PB&J initiative. The PB&J program was intended to collect feedback and suggestions from Yahoo’s employees to rekindle the spirit of innovation at the company and boost the flagging morale of its employees. She appointed Patricia Moll Kriese (Moll), a former Google colleague who had followed her to Yahoo, as the leader of the PB&J initiative. Employees had to log in to an internal website and post their ideas and suggestions to improve the working conditions at Yahoo. Employees would also be able to vote on each other’s ideas. The site would later rank the best ideas basing on their popularity. The management would then review the ideas and their popularity and implement the finest of the lot.

Marissa hoped that the PB&J program would end the gridlock at Yahoo by giving more power to the employees. Summing up the new initiative in the mail to Yahoo employees, Marissa said, “Share your ideas on what would make your job easier, boost your productivity, and help solve problems. What’s on your wish list for our corporate culture and work environment?” The new initiative by Marissa was received well both by the employees at Yahoo and industry experts. Analysts said that the new initiative had all the hallmarks of Google as it was democratic, driven by data, and gave employees a lot of enjoyment. Many employees at Yahoo too felt that the new initiative would break the bureaucratic culture at Yahoo. Commenting on the new initiative, an employee of Yahoo said, “Redundant process and policy, bureaucracy, are the worst enemy to innovation and efficiency…This email in particular finally won my heart.”

OTHER PROPOSED INITIATIVES

Apart from the PB&J initiative, Marissa also planned to implement several other initiatives to change the culture of the organization. She used a shared email list called “dev random” to establishing connections with Yahoo's programmers by engaging in regular email discussions with software engineers who did not report to her. Similar to Google’s “TGIF” meetings, she also instituted “FYI” meetings every Friday at Yahoo headquarters where employees could ask her questions, announcements of new hires were made, etc.

In a meeting with Yahoo’s employees in September 2012, Marissa announced a ‘four Cs’ strategy to nurture talent at Yahoo. The four Cs stood for culture, company goals, compensation, and calibration. She also wanted to replace the ‘consensus culture’ at Yahoo with a more democratic and responsive system in the long-term. Another improvement on the cards was the introduction of new and improved feedback loops at Yahoo so that it would take less time to identify the problems in the organization and solve them at the earliest.

Yahoo had also been following an orthodox compensation system for its employees which rewarded them in the form of bonuses based on trailing measures like revenues without recognizing employees’ key inputs into the business. Many analysts opined that the orthodox compensation system did not incentivize its employees properly to come up with new ideas and also came in the way of attracting and retaining fresh talent. At Google, with all the initiatives she had taken, Marissa was known to be a motivational leader. In order to encourage the employees of Yahoo to deliver better efforts, she introduced new performance measurement and goal metrics. The performance of all the employees of Yahoo would also be evaluated based on the ‘four Cs’ instead of the outdated revenue based compensation system. The goals would also be divided at the department, team, and individual level. The new performance measurement and goal metrics specified the goals that were to be achieved by Yahoo’s employees on a quarterly basis and yearly basis. Commenting on the new performance measurement system, Marissa said, “Moving forward, we will have both annual goals and quarterly goals that we will all commit to, track, and grade

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1. Google has a weekly meeting called “TGIF” where the CEO, founders, and other top managers give updates in front of the entire company.
ourselves based on. [...] We will then cascade the goals down through the company at the department, team, and individual level [...]”33 Within a short span of time, the new performance measurement and goal metrics were made applicable to 93 percent of Yahoo’s employees.34 Coming from Google, Marissa started incorporating many of the practices followed at the search giant. Just like the cofounders of Google, Larry Page and Sergey Brin, Marissa started to review all the major executives who were to be hired at Yahoo and asked other top executives of Yahoo to follow her example. This practice of reviewing all major appointments was followed by top notch companies in the world like Google. This new practice was primarily aimed at improving the participation of top executives in the day to day running of the organization. The company also started putting more emphasis on colleges, grades, and testing for recruits.35

LOOKING AHEAD

Marissa initiated other efforts to revive Yahoo’s fortunes. She decided to go back to the basics and start focusing on the company’s core products like search, mail, ads, etc. as well as focus more aggressively on mobile internet in the future. Some analysts opined that it would not be difficult to change the culture if there was good commitment from the top executives of the organization. As Yahoo could still attract top notch talent like the executives Marissa started to hire since she took over, they believed that these new executives could bring new perspectives to the organization as they were untouched by the prevalent culture at Yahoo. In fact, some analysts believed that culture wasn’t really the problem at Yahoo. Rather, they blamed the board and leadership vacuum at the company for its woes.

However, despite all the initiatives that Marissa implemented after taking over at Yahoo, many analysts were skeptical about their success. They said that it would not be possible to bring about a change in the culture of an established organization like Yahoo in the limited time left to come out of the crisis. The past experience at many other companies too had proved that changing the culture of an organization could prove to be daunting task which could take years to achieve. Commenting on the efforts initiated by Marissa to usher in changes at Yahoo, Carol Bartz, former CEO of Yahoo, said, “I really wish her well. Changing culture is not a sprint. It’s a marathon. It’s very, very hard to affect culture.”36 Analysts also said that the frequent changes in the top management before Marissa had joined as the CEO of Yahoo could prevent its employees from taking the efforts initiated by Marissa seriously.
Exhibit I

Movement of Yahoo’s Share Price from January 2006 to January 2013


Exhibit II

Key Financials of Yahoo from 2007 to 2011 (In US$ Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,969,274</td>
<td>7,208,502</td>
<td>6,460,315</td>
<td>6,324,651</td>
<td>4,984,199</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>2,838,758</td>
<td>3,023,362</td>
<td>2,871,746</td>
<td>2,627,545</td>
<td>1,502,650</td>
</tr>
<tr>
<td>Gross profit</td>
<td>4,130,516</td>
<td>4,185,140</td>
<td>3,588,569</td>
<td>3,697,106</td>
<td>3,481,549</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>3,435,103</td>
<td>4,172,177</td>
<td>3,201,877</td>
<td>2,924,582</td>
<td>2,681,208</td>
</tr>
<tr>
<td>Income from operations</td>
<td>695,413</td>
<td>12,963</td>
<td>386,692</td>
<td>772,524</td>
<td>800,341</td>
</tr>
<tr>
<td>Other income, net</td>
<td>118,771</td>
<td>73,750</td>
<td>187,528</td>
<td>297,869</td>
<td>27,175</td>
</tr>
<tr>
<td>Income before income taxes and earnings in equity interests</td>
<td>814,184</td>
<td>86,713</td>
<td>574,220</td>
<td>1,070,393</td>
<td>827,516</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(322,868)</td>
<td>(259,006)</td>
<td>(219,321)</td>
<td>(221,523)</td>
<td>(241,767)</td>
</tr>
<tr>
<td>Earnings in equity interests</td>
<td>150,689</td>
<td>596,979</td>
<td>250,390</td>
<td>395,758</td>
<td>476,920</td>
</tr>
<tr>
<td>Net income</td>
<td>642,005</td>
<td>424,686</td>
<td>605,289</td>
<td>1,244,628</td>
<td>1,062,669</td>
</tr>
<tr>
<td>Net income attributable to non-controlling interests</td>
<td>(2,850)</td>
<td>(5,765)</td>
<td>(7,297)</td>
<td>(12,965)</td>
<td>(13,842)</td>
</tr>
<tr>
<td>Net income attributable to Yahoo! Inc.</td>
<td>639,155</td>
<td>418,921</td>
<td>597,992</td>
<td>1,231,663</td>
<td>1,048,827</td>
</tr>
</tbody>
</table>

# Exhibit III

## CEOs of Yahoo

<table>
<thead>
<tr>
<th>Name of the CEO</th>
<th>Tenure</th>
<th>Reason for Leaving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terry Semel</td>
<td>May 2001-June 2007</td>
<td>Hired from Warner Bros. Stepped down under shareholder pressure.</td>
</tr>
<tr>
<td>Carol Bartz</td>
<td>January 2009-September 2011</td>
<td>Hired from Autodesk Inc., a design and engineering software company. Fired for failing to revive the company.</td>
</tr>
<tr>
<td>Tim Morse</td>
<td>September 2011-January 2012</td>
<td>CFO of Yahoo. Worked as interim CEO until the new CEO took over.</td>
</tr>
<tr>
<td>Scott Thompson</td>
<td>January 2012-May 2012</td>
<td>Hired from eBay Inc.'s PayPal. Resigned in May 2012 over a controversy regarding one of his college degrees.</td>
</tr>
<tr>
<td>Ross Levinsohn</td>
<td>May 2012-July 2012</td>
<td>Worked as interim CEO until the new CEO took over.</td>
</tr>
<tr>
<td>Marissa Mayer</td>
<td>Joined Yahoo as its CEO in July 2012</td>
<td>Hired from Google, Inc.</td>
</tr>
</tbody>
</table>

### Exhibit IV

**Important Internet Services Offered by Yahoo**

<table>
<thead>
<tr>
<th><strong>Search:</strong></th>
<th>Yahoo! Web Search helps users to find anything on the internet. Yahoo has several products for search like Yahoo! Image, Yahoo! Video, Yahoo! Local, Yahoo! News, and Yahoo! Shopping Search.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content:</strong></td>
<td>Yahoo! Sports, Yahoo! Finance, Yahoo! Music, Yahoo! Movies, Yahoo! News, and Yahoo! Games provide content on specific topics. Users also have the opportunity to personalize content through My Yahoo!.</td>
</tr>
<tr>
<td><strong>Communication:</strong></td>
<td>Yahoo! Mail and Yahoo! Messenger enable users to stay connected. My Web, Yahoo! Personals, Yahoo! 360°, Yahoo! Photos, and Flickr are some other communication services from Yahoo!.</td>
</tr>
<tr>
<td><strong>Mobile:</strong></td>
<td>Yahoo! Mobile provides services such as email, instant messaging, information search, and alerts on-the-go. It also includes mobile games. Yahoo! Photos is meant for camera phones.</td>
</tr>
<tr>
<td><strong>Connected Life:</strong></td>
<td>Yahoo! offers a range of free and premium Yahoo! content and services to its subscribers by partnering with broadband providers.</td>
</tr>
<tr>
<td><strong>Commerce:</strong></td>
<td>Yahoo! enables consumer transactions on the web, with services such as Yahoo! Shopping, Yahoo! Autos, Yahoo! Auctions, and Yahoo! Travel. They enable consumers to make informed online purchases by providing them with relevant information.</td>
</tr>
<tr>
<td><strong>Small Business:</strong></td>
<td>Yahoo! Small Business enables small business owners and professionals to establish and grow a business presence with services such as Yahoo! Domains, Yahoo! Web Hosting, Yahoo! Merchant Solutions, Yahoo! Business Email, and Yahoo! Store. Yahoo! also offers ‘HotJobs’ to help recruiters find the talent they seek.</td>
</tr>
<tr>
<td><strong>Advertising:</strong></td>
<td>Yahoo! provides a comprehensive set of marketing solutions and tools for businesses. Yahoo! helps marketers create and execute programs that both engage users to interact with their brand as well as provide valuable insights into their customer base. In addition, Yahoo! Search Marketing helps companies drive traffic to their websites through services such as Sponsored Search, Local Advertising, and Product/Travel/Directory Submit. For online publishers and portals, Yahoo! can add new revenue sources and enhance user experience through the Yahoo! Publisher Network.</td>
</tr>
</tbody>
</table>

*Adapted from www.yahoo.com.*
From: Marissa Mayer  
Sent: Friday, August 24, 2012 10:00 PM  
To: [All Yahoo]  
Cc: Patricia Moll Kriese  

Subject: Announcing PB&J — Process, Bureaucracy, & Jams!

YAHOO! PROPRIETARY AND CONFIDENTIAL INFORMATION — DO NOT FORWARD

Process blocking your success?  
Bureaucracy getting you down?  
Jammed by problems and see a solution? We are looking at how to streamline process, reduce bureaucracy, and remove jams — PB&J!

We’re launching PB&J today to gather your feedback on how to make Yahoo! the absolute best place to work. Share your ideas on what would make your job easier, boost your productivity and help solve problems.

What’s on your wish list for our corporate culture and work environment?

For example:
* GitHub for Code Review
* Dogfooding Yahoo! Mail & Calendar
* SSD’s (Solid State Drives) for faster machines
* Mi-Fi’s (mobile wi-fi cards)

We have done a few things already — free food, FYI, turning off the turnstiles in building D, removing parking lot barriers, eliminating mandatory orientation at the gym, etc. However, we know there’s more we can do!

Do you see a problem and know how to solve it? Want to brainstorm with colleagues about what to fix and how to fix it? Give us your ideas. Or be heard loud and clear by simply voting.

PB&J is available globally on Backyard: http://allhands.corp.yahoo.com/qna/pbj/latest

We will review your ideas and votes, reporting back in FYI each month on actions taken. August PB&J starts now — and look forward to an update at the next FYI in early September!

Questions/concerns/suggestions around PB&J, please contact Patricia Moll Kriese, who’s our lead on PB&J.

Marissa & Patricia

Changing the Culture at Yahoo!: Marissa Mayer’s Challenge

End Notes:

5. www.yahoo.com
32. Ryan Tate, “Marissa Mayer Allegedly has 10 or 20 Different Priorities for Yahoo,” http://www.wired.com, September 26, 2012.