

February 2016 Newsletter

[Campaign Preview](#)[HTML Source](#)[Plain-Text Email](#)[Details](#)[View this email in your browser](#)

Staring down a disengagement decision at Yahoo!

[Blog](#) | [Contact](#) | [About](#) | [Speaking](#) | [Videos](#) | [Books](#) | [Consulting](#) | [Events](#)

RITA GUNTHER | **MCGRATH**

Author. Speaker. Consultant.

Dear Colleagues,

Yahoo and its CEO of three years, Marissa Mayer, have been in the news a lot lately. While Yahoo's checkered history and frequent changes in leadership have not done the company's reputation any favors, it still has assets that could be valuable. With investors becoming impatient, Yahoo is apparently in play in a big way.

Fortune reports that Starboard Value Fund's Jeff Smith has launched a proxy fight against Yahoo and is expected to nominate a slate of directors to replace Yahoo's board. Meanwhile, the **New York Post suggests** that Mayer is recruiting new investors herself, looking presumably for a few friendlier faces on her board. And amidst all this, a committee of the board has brought on advisors to **help them assess** their 'strategic options'.



Disengagement: Part of life in the transient advantage economy

Yahoo’s situation is like that of many companies whose competitive advantages have gone into erosion. As a company reaches the end of their competitively valuable position, they face the need to pull resources out of once-successful businesses. It’s a process I call “disengagement” and it is just as important as creating new advantages, because clinging to an exhausted advantage is a long-run losing play.

In my book, *The End of Competitive Advantage*, I offer a typology of possible disengagement strategies, depending on how much time one has and how central the eroding properties are to the future of the organization. It looks like this:

Disengagement Strategies	Capability core to the future of the business	Capability has value, but not for us	Capability is in decline
Relatively little time pressure	Orderly Migration Transition aspects of the business from today’s configuration to tomorrow’s	Garage Sale Get reasonable prices for assets we are no longer interested in	Run Off Be well paid to maintain support for customer while decreasing investment
Intense time pressure	Hail Mary Divest formerly core capabilities and find a solution to migrate to the new core fast	Fire Sale Sell non-core assets we are no longer in a position to exploit	Last Man Standing Spark consolidation or otherwise try for a profitable end game position

What every company would like, of course, is the “orderly migration” path. This is where the old businesses are gradually shrunk, while the new businesses grow up to replace their revenue and growth prospects. Norwegian newspaper publisher, Schibsted is a great example. They moved very early to replace their classified ads with digital ads and have successfully transitioned much of their business. Today, **Schibsted is thriving** amidst disruptive forces that have undermined many of their publishing colleagues.

Attractive assets but anemic growth creates pressure on a CEO

Unfortunately for Yahoo, I think that they are now under intense time pressure, meaning the orderly migration option is not available. Many observers have said that

meaning the early migration option is not available. Many observers have said that Marissa Mayer has come to the end of her (rather long) honeymoon period.

The first issue, from a disengagement point of view, is that they don't seem to have a good feeling for which of their assets are going to be core to the future business and which are not. They've flip-flopped from strategy to strategy for years (remember previous CEO Carol Bartz's **dramatic exit**?). Really good people on the management side have left. Further, the board has hired McKinsey (and a bunch of other high-priced talent) to help them decide what to keep and what to jettison, which to me is never a good sign – it suggests that you don't have faith in your senior executives to be able to make difficult, smart choices. In speaking with those who work at Yahoo, a certain kind of executive arrogance is described, and that's never good culturally or for the business.

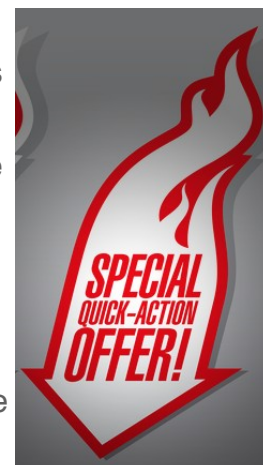


What options do they have?

I see three main directions, corresponding with the boxes in the table.

A “Hail Mary” move is similar to what Nokia did with its cell phone business. Nokia jettisoned a formerly core business asset to completely refocus on a new growth area. It sold the handset business to Microsoft (which **wrote off \$7.6 billion** in short order). Then they bought Alcatel-Lucent to reinforce their position as a network operator and are now hunkering down to create a new set of core businesses. For Yahoo, such a move would be to get rid of some assets to double down on others – perhaps its Mavens business (mobile, video network and social Ads business). That strategy does imply that Yahoo would need to shrink.

So does the next approach, a fire sale, make sense? A fire sale is when a company sells off assets that are undervalued, but because of time pressure they can't wait to get a better price. The interest in the company among private equity investors suggests that they might well have judged that Yahoo's assets are deeply discounted. Fire sales can be made of parts of a company, or the entire thing, as often happens when investors take a once-public company private – as what happened with Dell. Dell didn't feel the need to undergo their wrenching transformation of overhauling its once successful business under the quarterly glare of public



once successful business under the quarterly glare of public questioning.

The last man standing strategy implies doing more or less what AOL did after separating from Time, Inc. AOL shrank the company to a set of niche offerings that generated cash, while expanding in areas that were high-growth categories. Verizon's acquisition of AOL shows how such a strategy can pay off. AOL offered digital content and a sophisticated advertising platform that promised to help Verizon grow beyond simply being a 'dumb pipe'. Indeed, there is speculation that Yahoo might make a nice fit for a company like Verizon that in addition to running a great network, they need to be able to sell services and more completely meet their customers' needs.

Can Yahoo recover?

Well, I never say never and they do have very valuable assets in terms of brand, users, and content. I guess if I were in their shoes, the question I would be thinking about the hardest would be "how do we become indispensable to the user segments whose digital experiences we want to elevate?"

Women in Leadership Course (#CBSBarnardWIL)

June 22, 23, 24, 2016 in NYC

As readers know, we are launching our first ever **course** for leading women managers at Barnard this June (22-23-24). The course features my co-faculty director, Elana Weinstein and myself for the entire program. We are also thrilled to be joined by CBS Alumnae Nancy McKinstry, CEO of publishing giant Wolters Kluwer and Sharon John the CEO of Build-A-Bear Workshop.

Here are a few highlights.

- Develop your vision and action plan
- Advocate for yourself, your ideas and your team
- Establish strategic networks
- Engage support through compelling communication
- Negotiate favorable outcomes and manage conflict
- Take measured risks and effect change



- Take measured risks and affect change



The program is designed to help elevate the impact of women leaders. It begins with a 3-week preparation and coaching phase, an intense 3-day in person phase and a 3-month action plan follow up. If you know of someone who you think might benefit from a program like this, let us know. Discounts are available for companies who send multiple participants.

Fortune Magazine

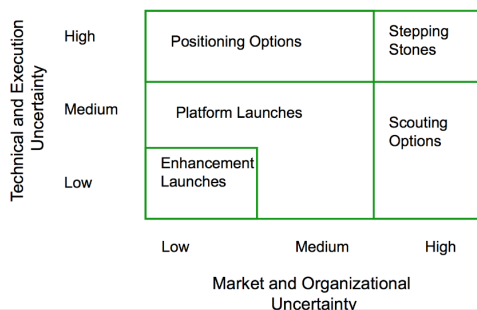
A Fortune [article](#) on the disappointment of incomplete change management processes.

Another Fortune [article](#) on how a very modern unicorn was inspired by a medieval money exchange process.

In the News

- Rita quoted in [Mashable](#) article: If Yahoo! signed up on a dating site.
- What will Marissa Mayer do next? Rita quoted in [Inc.](#) piece.
- Teaser [video](#) of Rita’s presentations in Taiwan.
- Very [nice excerpt](#) of Rita’s presentation for Commonwealth Publications in Taiwan.
- A new service – [PictureQuotes](#). Wonder what that is all about?
- Radio interview with Rita and the [Raja Show](#) can be found here – all about entrepreneurship!
- Are we entering a new age of empathy in management? These thinkers [suggest](#) we need to.
- David Dabscheck on how important [opportunity portfolios](#) are to innovation.

Opportunity Portfolio



More links to recent press mentions can be found on the [Press section](#) of my website.

Password for the “Tools” Section of My Website

To access the tools part of the web site (downloadable diagnostics, quizzes, spreadsheets and other cool stuff) go to the [RitaMcGrath.com website](#) and use the password - **mcgr8th!** *(the exclamation point is part of the password).*

If this newsletter has been forwarded to you and you want your own copy - please sign up for your own copy at the top of my [website](#).

The light at the end of the tunnel for Yahoo?

With so much in play over at Yahoo, it's hard to know how this story will work out. What does seem clear is that many outside parties are paying attention to what may be an expiring opportunity to acquire their attractive assets at a bargain basement price.

All the best,

Rita





Copyright © 2019 Rita Gunther McGrath, All rights reserved.
You are receiving this email because you opted in on ritamcgrath.com.

Our mailing address is:
Rita Gunther McGrath
2880 Broadway
Armstrong Hall, 4th Floor
New York, NY 10025

[Add us to your address book](#)

[unsubscribe from this list](#) [update subscription preferences](#)