



Mistakes by Yahoo and Lessons Learned

Introduction

Once considered the giant of Silicon Valley, Yahoo was founded at Stanford University in January 1994 by two grad students Jerry Yang and David Filo. Initially, it was called "Jerry and David's Guide to the World Wide Web" but was later renamed as Yahoo in April 1994.

The popularity of this website kept on increasing throughout the 1990s and even in early 2000s. In late 90s Yahoo was expanded further to include a new email service, chats, groups and games. However, after the dot-com bubble burst the company's stock dropped to its lowest point, and its success was only short-lived.

Let's have a look in more detail ...

Mistakes made by Yahoo

Some of the major reasons which resulted in the downfall of Yahoo are discussed below:

1998

In the year 1998, the two young co-founders of Google approached Yahoo, asking for investment in their venture, but Yahoo turned it down. At that time they believed that it would redirect the traffic from their own website.

2002

In 2002 Yahoo was again presented with the opportunity to buy Google and this time for \$5 billion, but Terry Semel refused to pay this much money. At that time Yahoo was already using Google's search technology to power its own search engine.



Not seizing the opportunity to buy Facebook

Yahoo originally offered to buy Facebook, the biggest social networking giant of all time for \$1 billion. But due to a depreciation in stock, they reduced their offer to \$875 million, which was too low and made Mark Zuckerberg walk away from the deal. The popularity Facebook gained in the years to follow proved that not buying it was a big mistake on the part of Yahoo.

Rejecting the buyout offer from Microsoft

In 2008 Microsoft, which was eager to compete with Google was willing to offer \$44 billion for Yahoo, which was the second best search engine at that time. That offer was turned down by the board of Yahoo on the grounds of being too low. Because of this and numerous other bad decisions today Yahoo's worth in the market is below \$19 billion.

Partnership with Microsoft

Yahoo made a partnership deal with Microsoft and replaced its homegrown search engine with Microsoft's Bing. This deal benefitted Microsoft far more than it did Yahoo. They didn't have to buy Yahoo but got the most out of it. This deal was unable to save the deteriorating condition of Yahoo in any way.

Broadcast.com, a failed acquisition

In 1999 yahoo paid \$5.7 billion to acquire Broadcast.com which to date is considered the worst-timed acquisition in tech history.

Failure to sustain Flickr

Flickr was the big thing before Facebook. It was the most popular photo sharing application of that time. Yahoo bought Flickr but ignored its potential. They failed to recognize its true potential as a social networking site which was the buzz word at that time. For Yahoo, it was just about the contacts, groups and comments, a way to



maintain their database. If they had used this trump card wisely, Flickr would have given a tough competition to Facebook and Instagram.

Tumblr, another casualty

Tumblr and Flickr had somewhat same fate. In 2013 Marissa Mayer, the current CEO of Yahoo, bought Tumblr but failed to turn it into a profitable venture. The redesigning of Tumblr only angered the users further.

Identity Crisis

Yahoo's leadership is still confused whether to consider it a media company or a tech company. The company has earned more money through ads rather than software because of which it can come under the category of Media Company. But the truth is that it has often operated like a tech company as well. Yahoo was always afraid of being crushed by the tech giants like Microsoft and Google if it entered that market, therefore, it failed to maintain a Google-like startup culture.

Lessons to be learned

From Yahoo's unfortunate downfall there is a lesson to be learned by business owners or CEOs of other companies.

Talented and Competent Employees

To build a successful company, hire employees who have potential to take your company to great heights. There was a time when Yahoo was abundant in talent, but then they started hiring mediocre engineers and didn't maintain the talent density in the company. Because of this unfair decision, the best lot of Yahoo started resigning, leaving the company in the hands of amateurs.

Definite Goal

Every company should have a definite goal, towards which it should drive all its efforts. Being the CEO make sure your company is set out to achieve that goal. The problem with Yahoo was that it never found its focal point. It tried to be a web



company but did little in that domain. Later when it switched to a mobile ad company, the focus of the company was split into other things as well.

Don't rely solely on acquisitions

Even though acquisitions work fine for some companies, it is not a universal formula for success. If your company has a definite strategic goal in mind and is benefitting from the deal then go for it, but in case of Yahoo, acquisitions was a desperate attempt on the part of their CEO which instead of building the company resulted in its downfall.

Research and implementation should go hand in hand

Many great ideas were conceived in the labs of Yahoo, but they were never implemented the way they should have otherwise they might have saved this company. As a CEO you must make sure that your company should make effective technology transfer from ideas to implementations.

Work environment

The work environment you provide in your company can define its success or downfall. If people are not happy where they work, they won't work efficiently. Yahoo's culture was imbalanced. People often referred to it as one big family, but it lacked that push which would drive the company towards innovation. Every company should have a unique culture but it is always well worth remembering that what works for one company does not necessarily works for all.

Customer needs

Always place the needs of the customer on top and update your technology accordingly. First, make a product that people want, then devise ways to attract those customers and then convince them that you have what they need.

Summary

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Competition in Silicon Valley is increasing day by day. If you don't bring something new to the market, you are most likely to become obsolete. Poor leadership of Yahoo resulted in the downfall of the company, but there is always a lesson to be learned from this unfortunate incident. You can learn from these mistakes and apply the lessons learnt in your business to increase profit or save the company if it is near failure.

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