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Can Yahoo Be Rescued?

No foundering Internet giant has ever recovered. Will Yahoo go the way of AOL and MySpace?

Lessons From Apple

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It is not too late for a faltering Yahoo to reverse its decline, provided that it is led by a committed leader—preferably a founder—willing to leverage the company’s essential DNA to create transformational new offerings.

This is precisely what Steve Jobs accomplished at Apple and it is the norm for all successful tech players. For example, Jeff Bezos has atom-smashed his traditional business, turning Amazon into a cloud services company and e-book seller. Google’s newly installed founder-C.E.O. is racing to create new businesses, while Steve Ballmer at Microsoft and Reed Hastings at Netflix are struggling through similar shifts.

The strategy common to all these companies is one of fleeing into the future. This requires a company to become its own fiercest competitor, willing to create new offerings that ultimately kill off its existing cash cows. Consider the case of Apple: the company that gave us personal computing is now busily making the personal computer obsolete by introducing cloud-based devices like the iPad that will eventually eliminate other Apple innovations.

A successful company needs to become its own fiercest competitor, willing to create new offerings that ultimately kill off its existing cash cows.

The right mind-set requires actions as counter-intuitive as turning into a skid on an icy road. Brilliant ideas often seem like folly to stakeholders who fail to grasp the underlying vision. This is why companies led by founders have an intrinsic advantage over competitors led by hired-gun C.E.O.’s. Even the most skeptical employee will follow a founder for the simple reason that the founder has more to lose than anyone else at the company. Yahoo got into trouble when it brought in outside management; it would do well to reach back to someone who was present at the company’s creation.

Understanding the essential DNA of a company is also critical. Apple is defined by design. Google is built on algorithms, and Amazon on selection. Yahoo lost its way when it tried to match Google’s algorithmic strengths and forgot that its soul lies in amplifying human editorial judgment.

Ultimately, innovations need to lead events. Trouble begins the moment a company is forced to respond to events, and the greater the lag, the greater the potential for disaster. The hour is late for Yahoo and the odds are long, but with the right leadership and a recognition of its roots, Yahoo could still write a dramatic turnaround story.