

Employee Attitudes and Turnover Are Issues at Yahoo!

Marissa Mayer, former vice president of Google Product Search, left the company to become CEO of Yahoo! in October 2012. At that time, Yahoo's stock was selling for \$15.74. In January 2016, it was selling for \$29.77, after reaching a high of \$52.28 in 2014. Investors were not happy with the drop in revenue—and market share—from 2014 to 2016. Some felt the company's strategies were lacking and that new leadership was needed. Hedge fund investor Starboard Value LP demanded that the board fire Mayer.⁸¹

Let's take a more detailed look at what happened at Yahoo!

According to a Dow Jones reporter, "Yahoo's expenses have risen while revenue has declined in the three-and-a-half years since Mayer took the reins. In the first nine months of 2015, operating expenses totaled \$3.9 billion, up 20 percent from the same period in 2014. During that same time, revenue excluding commissions paid to search partners dropped 4 percent to \$3.09 billion." Yahoo! also has been cutting costs via layoffs. The head count in 2016 was 10,700, down from a peak of 14,000 before Mayer arrived.⁸²

It is estimated that 33 percent of the workforce left the company in 2015. A CNBC reporter noted that Mayer's concern about brain drain led her to approve "hefty retention packages—in some cases, millions of dollars—to persuade people to reject job offers from other companies. But those bonuses have had the side effects of creating resentment among other Yahoo! employees who have stayed loyal and not sought jobs elsewhere."⁸³

Even more troubling is the manner in which some of these layoffs were executed. In 2014, "managers called in a handful of employees each week and fired them," recalled one reporter. "No one knew who would be next, and the constant fear paralyzed the company, according to people who watched the process." In March 2015, the situation got worse. "Mayer told the staff at an all-hands meeting that the bloodletting was finally over. Shortly thereafter, she changed her mind and demanded more cuts."⁸⁴

In January 2016, Mayer jokingly told employees at a company meeting that "there are going to be no layoffs 'this week.'" Insiders say these types of comments are eroding employee morale and leading to the exodus of key employees.⁸⁵

Key human resource decisions and policies likely contributed to poor employee work attitudes and

turnover. The first was the company's decision that employees could no longer telecommute. The head of human resources at the time, Jackie Reses, said, "We need to be one Yahoo!, and that starts with physically being together." She defended the decision by stating, "Some of the best decisions and insights come from hallway and cafeteria discussion, meeting new people, and impromptu team meetings." Reses believed that telecommuting hurt the company. "Speed and quality are often sacrificed when we work from home," she said.⁸⁶ But the decision also created bad press for the company.

A reporter noted, "The new rule didn't just frustrate Yahoo employees who were directly affected, it also set off a fair amount of debate and criticism on Twitter from entrepreneurs, tech company employees and journalists who cover the industry."⁸⁷ This in turn likely created a negative impact on Yahoo!'s ability to recruit highly talented employees.

The second human resource decision was Mayer's implementation of the quarterly performance review (QPR) system. This process allegedly led to the firings of more than 600 people in 2013. The system works by first having managers rank their employees into five categories, each with a quota: greatly exceeds expectations (10 percent of employees), exceeds (25 percent), achieves (50 percent), occasionally misses (10 percent), and misses (5 percent). Two "misses" ratings in recent quarters can result in termination. Many managers see this system as a forced curve, though Mayer contends the rankings instead serve as guidelines.

Anonymous postings on an internal message board suggested that managers did not agree with Mayer. Here is what one manager had to say:

"I was forced to give an employee an occasionally misses, [and] was very uncomfortable with it. Now I have to have a discussion about it when I have my QPR meetings. I feel so uncomfortable because in order to meet the bell curve, I have to tell the employee that they missed when I truly don't believe it to be the case. I understand we want to weed out mis-hires/people not meeting their goals, but this practice is concerning. I don't want to lose the person mentally. How do we justify?"⁸⁸

Other employees felt the system was vulnerable to human bias and was not fairly applied across levels of management. One commented:

"Will the 'occasionally misses' classification apply to L2 and L3 execs also? At every goals meeting, we find

senior staff who missed even the 70 percent goals. Thus, by definition, they should be classified as 'occasionally misses.' Two such classifications, and that person should be let go, amiright? How about we set an example for the rest of the company and can a few of the top execs who miss (or who sandbag their goals to make sure they 'meet')?"⁸⁹

Employees have become even more fearful of the process given the number of layoffs.

Sadly, employee morale does not appear to be improving. Surveys conducted by Glassdoor revealed that "only 34 percent of Yahoo!'s current employees foresee the company's fortunes improving. That compares to 61 percent at tanking, scandal-struck Twitter and 77 percent at Google."⁹⁰

Another issue that may be causing feelings of inequity involves Mayer's compensation package. "Executive pay at Yahoo! is essentially based on Alibaba's stock price," which is outside her control: Yahoo! has a 15 percent stake in Chinese web giant Alibaba, valued at \$25.7 billion. "Of Mayer's \$365 million pay over five years, only 3.3 percent will actually be affected by her performance."⁹¹ This policy goes against the common managerial practice of paying people for their performance.

So where does this leave Mayer and Yahoo! as a whole? Broadly speaking, threats of layoffs continue. The company, which lost \$4.4 billion in the last quarter of 2015, announced it would lay off 15 percent of its workforce in 2016.⁹² Under pressure from investors such as Starboard Value LP, Yahoo sold its core business to Verizon Communications Inc. for \$4.83 billion in 2016. The sale included Yahoo's e-mail business, websites dedicated to news, finance, and sports; advertising tools; real estate; and some patents. It does not include "Yahoo's cash or its shares in Alibaba Group and Yahoo Japan. After the deal closes, these assets will become a publicly traded investment company with a new name."⁹³

APPLY THE 3-STEP PROBLEM-SOLVING APPROACH TO OB

Step 1: Define the problem.

- A. Look first at the Outcome box of the Organizing Framework in Figure 2.4 to identify the important problem(s) in this case. Remember that a problem is a gap between a desired and a current state. State your problem as a gap, and be sure to consider problems at all three levels. If more than one desired outcome is not being accomplished, decide which one is most important and focus on it for steps 2 and 3.
- B. Cases have protagonists (key players), and problems are generally viewed from a particular

protagonist's perspective. You need to determine from whose perspective—employee, manager, team, or the organization—you're defining the problem.

- C. Use details in the case to identify the key problem. Don't assume, infer, or create problems that are not included in the case.
- D. To refine your choice, ask yourself, *Why is this a problem?* Answering this question helps refine and focus your thinking. Focus on topics in the current chapter, because we generally select cases that illustrate concepts in the current chapter.

Step 2: Identify causes of the problem by using material from this chapter, which has been summarized in the Organizing Framework shown in Figure 2.4. Causes will tend to appear in either the Inputs box or the Processes box.

- A. Start by looking at Figure 2.4 to decide which person factors, if any, are most likely causes of the defined problem. For each cause, ask yourself, *Why is this a cause of the problem?* For example, if you think personal attitudes—an input in the Organizing Framework—are a cause, ask yourself why. This might lead you to the conclusion that Mayer's attitudes about telecommuting are related to her prior work experience. This may have led her to make decisions that are adversely affecting employees. Asking why several times will lead you to a more complete list of causes.
- B. Follow the same process for the situation factors.
- C. Because no processes were specifically discussed in this chapter, you can skip an analysis of this component of the Organizing Framework.
- D. To check the accuracy or appropriateness of the causes, be sure to map them onto the defined problem.

Step 3: Make recommendations for solving the problem. Consider whether you want to resolve it, solve it, or dissolve it (see Section 1.5). Which recommendation is desirable and feasible?

- Given the causes identified in Step 2, what are your best recommendations? Use the material in Chapter 2 (or in Chapter 1) to propose a solution.
- Find potential solutions in the OB in Action and Applying OB boxes within the chapter. These features provide insights into what other individuals or companies are doing regarding the topic at hand.
- Create an action plan for implementing your recommendations.