

Masters of Scale Episode Transcript: Marissa Mayer

ANNOUNCER: And now, it's time for another exciting episode of... Captain Hoffman and the Masters of Scale!

Episode One: Careless Whisker. Deep in his lair in an abandoned hyperloop, the villainous Colonel Mediocrity surveys the results of his latest dastardly plan to rid the world of innovation.

COLONEL MEDIOCRITY: Yes! I've done it! I've lured the greatest minds of Silicon Valley to my most evil venture yet. They thought they were joining a cutting edge AI-focused 360-degree facing voice-recognizing self-driving disruptor-incubator. But in fact, they are now all locked into working for... the world's biggest cat meme generator! Soon, mediocrity will reign across the valley! And no one can stop me, not even... Captain Hoffman!

CAPTAIN HOFFMAN: Yes, it is I, Captain Hoffman! Instigator of innovation, upholder of originality, and advocate for inspiration. And I'm here to put an end to your nefarious ways, Mediocrity. Once and for all!

COLONEL MEDIOCRITY: Oh yeah? You and whose army?

CAPTAIN HOFFMAN: Why, this army!

MASTERS OF SCALE ARMY: Masters unite!

CAPTAIN HOFFMAN: Behold, the Masters of Scale!

COLONEL MEDIOCRITY: Impossible! I made sure I sucked up all the talent from the valley and locked it down here. No one could resist the golden handshake, generous equity stake, and unlimited artisanal cupcake allowance.

CAPTAIN HOFFMAN: That may be so. But you overlooked all the raw young talent out there. But not me. I sought out the most promising students and molded them into the heroes the world needs to defeat you. Surround him, Masters!

COLONEL MEDIOCRITY: You may have won this round, Captain Hoffman. But now it's time to see just how special your Masters of Scale are. Guards, release cyborg Catzilla!

ANNOUNCER: Will the Masters of Scale snatch victory from the claws of defeat? What will Captain Hoffman's next move be? And what will happen to all those artisanal cupcakes after Colonel Mediocrity's cat meme farm is liquidated? Find out next time in another exciting installment of Captain Hoffman and the Masters of Scale!

REID HOFFMAN: The adventures of Captain Hoffman and the Masters of Scale have long since left the airwaves. But their story still holds important lessons. Because like a band of superheroes, your company will have its own origin story. And you won't always be able find the heroes you need. You may find that your competitors have tied up all the star employees. And when that happens, you'll have to mold your own superheroes and turn them into an unstoppable force. I believe when you can't find the right people to help your company scale, you have to make them.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, founder of LinkedIn, investor at Greylock, and your host. And I believe when you can't find the right people to help your company scale, you have to make them. Being in a rapidly-scaling company can feel like being the lead in your own superhero saga. Each day pits you against new problems that feel like they need superhuman-levels of endurance to overcome.

And there will come a point in your adventure when being a lone crusader just won't cut it. That's when you need to enlist some help. But assembling a squad of fully-formed superheroes with the precise skill sets you need may prove tricky. The solution: think like Professor Xavier of the X-men: go forth and find young promising talent. Guide them in developing their powers and form them into a close-knit squad who'll always have each other's backs. If you do it right, you'll create a formidable force. And their achievements will echo throughout your company and beyond.

This is one of the untold stories about many companies that have changed the world. These companies needed to hire for roles that had never existed before. They couldn't always find the people they needed — so they made them instead. And these people, in turn, made the companies what they became. I wanted to talk to Marissa Mayer about this, because at Google she created one of the company's least-known secret weapons: the program that hired and trained Google's product managers. You may not have heard of the Associate Product Manager program, but it's one of Google's crown jewels, alongside Search and Gmail. And I would argue that it sits at the root of Google's success.

Marissa herself is one of Silicon Valley's more famous names. She joined Google as employee number 20 and their first female engineer. After 13 years at Google, she moved on to become Yahoo's eighth – and final – CEO. Her time at Yahoo was controversial — and we'll talk about that. But we're going to start at the beginning. Marissa was still a college student and Google was one of a thousand teeny Silicon Valley startups competing for talent.

MARISSA MAYER: Due to a long distance relationship and a bad bowl of pasta I was in my dorm room on a Friday night. And I told myself, "If anyone else mails you about another job, you just have to pick. You have 13 good offers, you just have to pick one."

HOFFMAN: At just that moment, another email popped up on Marissa's screen. The subject line was just three words: "Work at Google".

MAYER: It came in late on this Friday night, it said, "Work at Google" and I remember looking down and being like, "This bowl of pasta is so bad, and I am so pathetic that I'm here on a Friday night eating bad pasta."

HOFFMAN: Remember, this is 1999. The peak of the Dot Com bubble. Stanford grad students were showered with offers from tech recruiters. Marissa assumed she was just being spammed. She hit delete. Or at least, she meant to.

MAYER: I accidentally hit the spacebar, which in my email reader program opened the message. I looked back up, and it was open, and I realized it was actually an email from Salar Kamangar, another early Googler, who said, "I've been talking to different professors at Stanford about who I should be talking to that's graduating, your name came up."

HOFFMAN: Salar Kamangar, the Googler who sent that email, was Google employee number 9, for those keeping count. He's now senior vice president of YouTube. Now Marissa had another offer. Fourteen to choose from. It's the kind of problem most new grads wish they had. How did she decide? Methodically. Marissa enlisted help from Andre Vanier, a fellow Stanford student, who's now a VP at Oath.

MAYER: I went up to his apartment in San Francisco and said, "I've got all these offer letters..." And we pulled all the different values for all of the different columns off of these offer letters: salary, stock, where it was, career trajectory, promotion ability, happiness quotients.

HOFFMAN: They drew up charts and plotted graphs. They buried their heads in the numbers. After six hours churning data, Marissa looked up to see the sun had set. Her head was spinning. And she felt no closer to a decision.

MAYER: Andre just loves working on problems like that, and he turned to me and said, "This has been really fun. Thank you so much for involving me in this." I was like, "I haven't made a decision, this hasn't been fun for me at all. I'm completely overwhelmed!"

So he's like, "Go to bed, sleep on it, the first thing you think of tomorrow morning, whether you can articulate it or not, that's the right decision." That is how I ultimately picked Google. I went to sleep, I woke up the next morning, and I just wanted to work at Google. For a lot of the reasons I could articulate and for a bunch of other reasons that were harder to articulate. I felt like the smartest people were there and I felt really

unprepared to try and do what they wanted to do overall as a company. They were really ambitious. For all those reasons, I picked it.

HOFFMAN: Marissa is well-known for her intense use of data when she makes decisions. Indeed, it has been the target of much criticism. But what people overlook is that she's not making choices based solely on the data she collects. Each table of data she builds is like a diving board. The higher she builds it, the wider the view, and the bigger the splash when she jumps. But whether she actually takes that dive or not? That's still based on intuition.

MAYER: I like to be really data-driven, but I don't ignore the human instinct element of it. For me, my process is, a lot of times, roll around in the data, get to know it and really understand it really well, and then make a gut-based call, which is often supported by data and a lot of hard-to-articulate factors as well.

HOFFMAN: Informed intuition, is actually, I think, a good way of making decisions.

MAYER: Totally, yes.

HOFFMAN: So Marissa took the plunge and became Google employee number 20. She soon found herself working across a whole host of projects. She started looking to hire a systems engineer to take some of the pressure off. But this being Google, the engineer would need a nearly impossible, exotic range of skills. They'd need knowledge of artificial intelligence for building out Google's complex search algorithms. And they'd also need to know about design so they could work on Google's front end, the part that users saw. It wasn't an easy hire.

MAYER: We actually had the job description up for four months and we failed to find anyone. Interviewed a bunch of people, but frankly at that point, everyone else's start up was more promising than Google. It was very hard to extract people from other companies.

HOFFMAN: Marissa's boss at the time was Google's VP of Engineering Urs Hölzle. And Urs realized he wasn't going to find somebody with that rare combination of skills. So he decided to make the right person. And he didn't have to look far for his candidate. He told Marissa that she was the person for the job.

MAYER: He said, "I looked at everyone's resumes and you have this thing in your background about cognitive psychology, and how people learn and think. You're probably our closest match, so I want you to start spending one day a week doing front end stuff. You just need to make these decisions and start implementing them."

He was like, "I'm not putting you in this role for your artistic judgment or your design background." My mother was an art teacher, but I don't have a lot of design in my background. He was like, "Basically, get data."

HOFFMAN: Marissa was no designer. But she knew how to get data. And she knew the design questions that were plaguing Google's engineers.

MAYER: Why is this font gray? Why are we still using serifs? Why is this here? What would happen if we added a bigger margin?

HOFFMAN: First, she researched all she could about design theory.

MAYER: I went about reading everything I could about fonts. It turns out, for example, sans serif fonts are more legible, serif fonts are more readable. You're like, what's the difference?

HOFFMAN: Each methodical question led her further into uncovering the mysteries of effective design.

MAYER: It turns out legibility is the ability to recognize the single character. It turns out without serifs in the way, you can actually spot read much faster. With serifs, they guide your eye along the road, the text, so they're sort of meant to create a track that your eye follows.

HOFFMAN: She then took her love of data and did what any coder would do: she hacked her way into making design decisions. Famously, she would take this approach to extremes when testing what color was best for enticing users to click on ad links.

Voice: Aqua blue?

Chorus: Ewww!

Voice: Marine blue?

Chorus: Yuck!

Voice: Aqua marine blue?

Chorus: Hmm...

Voice: Aqua velveteen crushed lavender blue?

Chorus: Whoopee!

HOFFMAN: Clearly, we're not talking here about Philippe Starck style design. This isn't about beauty or style, but cold, hard data-driven functionality. Marissa wasn't asking what looked best.

She was asking what performed best. She became the kind of data-driven designer that Urs had set out to find.

Marissa was quickly making huge leaps at Google. Along with setting Google's design bible, she was playing a lot of hard-to-categorize roles across the company. There were many small teams, working on different products and features. And when it came time for them to go live, they would turn to Marissa for help. This gave her a clear view of every product and every team throughout the organized chaos of the entire company. She was also one of the few people who knew how Google's increasingly complicated systems worked.

MAYER: We had enough home grown technology at Google, and it worked sufficiently differently from other systems, that we needed somebody who could help them understand: How do I push this into production? How do I take this live? How do I actually launch it, make sure all the components are up and ready to go?

HOFFMAN: As Google grew, the company became more and more difficult for newcomers to navigate. Their small teams could develop products quickly. But every person had a narrow view. This structural challenge didn't go unnoticed by Google co-founder Larry Page. He did a tour of other more established companies to see how they were organized.

MAYER: He was like, "All these companies, they kind of look like we do except they all have this thing called product management, which we don't really have."

HOFFMAN: Larry soon realized that they actually did have product managers. They just didn't have a name for them yet.

MAYER: [He said] "But what we do have is we have Salar, Susan, and Marissa..."

HOFFMAN: That's Salar Kamangar and Susan Wojcicki, who's now CEO of YouTube.

MAYER: "...who all tend to do things kind of all across the company. Their job titles don't really fit what they do, so they're kind of our product managers." And then they were like, "Wait, you're a software engineer, but you're doing all this feature specification and testing and helping people launch all of the procedural elements, working with marketing and PR and everybody so they know this new thing is going to appear, customer care." That is right in the sweet spot of product management. We just didn't know that that's what we were really doing.

HOFFMAN: As the company grew increasingly complex, there was a new imperative: they needed more of these product managers. People with minds nimble enough to cover any and every aspect of Google's rapidly-increasing range of products. And who could quickly achieve the same impressive level of mastery that Marissa, Salar, and Susan commanded.

But how could they get them? It reminds me of that classic John Hughes film *Weird Science*. You just need to tweak the tagline from “Two high school nerds attempt to create the perfect woman, but she turns out to be much more than that...” to “A bunch of Silicon Valley nerds attempt to create an army of product managers, but they turn out to be much more than that...”

VOICE 1: We don't have enough product managers but maybe we can make some ourselves using our computers!

VOICE 2: But they wouldn't be real, they'd just be two-dimensional simulations, unless...

VOICE 1: Unless we hook up electrodes to the dolls and hope for a highly unlikely yet convenient lightning strike to hit the computer. And a dash of improbable movie magic.

VOICE 2: Let's get to work!

VOICE 1: We need them to be 50% coding whizz...

VOICE 2: ...50% genius...

VOICE 1: ...and 50% design guru...

COMPUTER VOICE: Warning: overload.

VOICE 1 & VOICE 2: It's alive!

HOFFMAN: Synthesizing new humans was not yet an option — even at Google. And they were struggling to find qualified candidates to hire. So Marissa decided to make more of these people. It grew out of a bet with her manager, Jonathan Rosenberg.

MAYER: "I wanna bet that I can hire new people right out of school and train them to be great product managers at Google faster than you can hire the people you prefer who are more experienced and senior."

HOFFMAN: Marissa was convinced she could hire smart people, and train them to be the colleagues she was looking for. She was confident about it, because that's what she and Salar had done. They had come to Google as coders and had become product managers.

MAYER: I was like, "I'm gonna go to Stanford and MIT. I'm gonna look for well-trained computer scientists who also understand how to apply technology. I'm gonna bring them in, give them really big jobs because we have really big jobs here in the product management group that aren't filled, and we'll just do what kind of happened to Salar and me. Larry and Sergei, at times, just kind of yelled at us until we did what they needed us to do and rose to the occasion. I'm hoping to do that with less yelling."

HOFFMAN: Marissa found her first APM hire: 22-year-old Brian Rakowski. Fresh out of college. What project did Marissa choose to ease him in on? She gave him... the whole of Gmail.

MAYER: We brought them in and gave them these huge jobs. They had to have been some of the most stressed out bunches of 22- and 23-year-olds in the world.

HOFFMAN: Marissa named this trial by fire the Associate Product Manager program. From the beginning, Google's APM program was founded on the principle of exposing new product managers not just to one product, but to many. At the core of the program was a yearly rotation that moved the new product managers between different departments. Even if some of them were reluctant at first.

MAYER: The APMs, they would always be like, "No, I don't want to rotate." I said, "Look, Google is a really unique place because you can try three or four different formats of product management in one place. You can do nascent products. You can do mature products. You can do mobile. There were all these different types of product management, and usually to get that breadth of experience, you'd have to change companies, which is a far scarier move." The nice thing for them is it gave them that flexibility without taking the leap of changing jobs.

HOFFMAN: True to form, Marissa came up with an equation to illustrate the benefits.

MAYER: I would basically say a rotation is anything that can suffice the Mad Lib: "I used to do 'x' and now I'm going to do 'y' and by making this change, I'm going to learn 'z.'" You can say things like, "I used to adwords, now I'm moving onto search. By making this change, I'm going to learn the difference between having advertisers as my users versus consumers as my users."

HOFFMAN: Now, there's nothing new about role rotation itself. This kind of training program reached its heyday in the 50s and 60s with companies like IBM and General Electric. These emerging titans of industry needed new leaders to keep up with the unprecedented leaps in scale and technology. They couldn't hire the people they needed; so they had to make them instead.

I wanted to get a sense of how programs like this work outside of tech. So I reached out to Karen Kirkland, a VP at Nickelodeon. For the past 13 years, Karen has led the Nickelodeon Writing Program. Under her leadership, the program became one of the leading training grounds for TV writers. Its alumni can be found not just on Nickelodeon shows like Dora the Explorer and Spongebob Squarepants but also on shows like Silicon Valley, Modern Family, and Blackish.

KAREN KIRKLAND: There are no shortage of TV writers out here in Hollywood. But you know what there is a shortage of? Good TV writers. It's almost like finding that diamond in the rough. You want to find somebody who has that "it" factor, who's super talented, has a very unique perspective, and can bring that to the page.

The other thing is that the program offers an opportunity for a writer to get expertise in the areas that he or she may not ever have been exposed to if not for the program. Prime example, I had two writers come through the program this one particular year. Didn't know one another. They became fast friends and realized that they had similar creative voices. Then they became partners and ultimately they pitched to Nickelodeon a live-action show. And we ended up not only buying it, but it ended up going to pilot and then ultimately ended up going to series. And that show was the number one live-action show for kids for two years running here at Nickelodeon, and that was Bella and the Bulldogs.

When I think about that story, to me, that is the ultimate story. It's the ultimate return on investment. It's exactly exemplary of what the program was meant to do. You're building community. You're infusing the content with diverse voices. You are giving opportunity to folks that wouldn't have had it otherwise. And then you're throwing that all back out to the audience who gets to ultimately benefit from it.

Those same two writers that I talked about? They're now producers on The Flash. We have writers on Silicon Valley. And we've had writers that have been on Modern Family, and we have writers that are on Blackish. How does that me feel? Jubilant. It makes me feel like a proud mama bear. I like to be able to share in that joy with them. I'm just proud.

HOFFMAN: Google's APM Program became a well-oiled machine that found smart young tech generalists and made them into the product managers that Google needed. But the program also had an unexpected benefit, one that proved equally important.

MAYER: They formed this network and it's seeing the connections between things. One of the things we saw starting to happen at Google is that the APMs, because of that network, could get done things that no one else could get done. They would be sitting there in the room with our engineers, and the engineers would be like, "I need machines."

The APM would be like, "How many do you need?" And they'd be like, "Four thousand?" Then later that day, they would show up at the engineer's desk and say like, "I got 4,000 machines for you. These are the racks they're in. They'll be coming these days." And they'd be like, "How did you do that?" Part of it was because we had an APM who was the product manager on machine allocations. They basically started to form connections between groups.

HOFFMAN: The APM program created a secret circulatory system through Google's famously decentralized management structure. Google had grown organically, with ideas and teams sprouting from the bottom up, largely driven by engineers with big ideas. This kind of controlled chaos is a great way to foster innovation. And our episode with Google's former CEO Eric Schmidt talked a lot about this.

But the downside of controlled chaos is that it's difficult to scale. New teams and projects don't have strong connections to each other, or even to the management team. And without support, projects die on the vine.

For Google, the APM program created an informal — but highly effective — network of support throughout the organization, driven by personal ties among managers and teams. And this secret circulation system allowed ideas to spread. It brought resources to new projects. And it brought new thinking to existing projects.

MAYER: By going across disciplines, you actually get a much more holistic pattern, but it also worked because you knew someone at YouTube, you knew somebody who was working in social. You knew someone who was working in machine allocation or infrastructure. They really started creating a really wonderful element of glue across the organization.

HOFFMAN: When it comes to Google's crowning achievements, I believe the APM program sits right up there with Gmail, Search, Maps, and AI. In the program's first year, 2002, Marissa hired eight APMs. By 2008, she was hiring 20 a year. To date, around 500 APMs have gone through the program. Indeed, the list of APM alumni reads like a who's who of overachievers in Silicon Valley.

VOICE: Brian Rakowski, Android lead and head of APM

Si Shen, co-founder of Papaya Mobile

Jess Lee, co-founder of Polyvore

Bret Taylor, president of Salesforce

Jeff Bartelma, product Director at Dropbox

Justin Rosenstein, co-founder of Asana

Nick Baum, founder of Storyworth

Jini Kim, founder of Nuna

Dan Siroker and Pete Kooman...

HOFFMAN: These alumni of the APM program ultimately moved on to other companies in Silicon Valley. And eventually, it was Marissa's turn. In 2012, Marissa got the call from Yahoo. Yahoo was looking for a turnaround CEO to reignite the company's fire. In the 1990s Yahoo pioneered many of the online services we take for granted today. But it had failed to capitalize on them again and again. The list of squandered opportunities reads like a Shakespearean tragedy.

VOICE: Alas, poor Yahoo, I knew ye well. Once so vibrant, thou dost now move like a shadowy spectre through this mortal coil. Your twin crowns, Search and Mail, now worn by Google. YahooTV eclipsed by YouTube. YahooBriefcase cast aside for Dropbox and OneDrive. Yahoo Music is silent, while Spotify sings out loud. Flickr hath lagged greatly behind Instagram. And the once-mighty Geocities has now crumbled and above its ruins tower Squarespace and Wix.

HOFFMAN: Yahoo had burned through four CEOs in five years. A full 25 percent of the staff had quit in the past six months. So Marissa was taking on a nearly impossible situation. When an entrepreneur takes on a turnaround, I often describe it as throwing yourself on a grenade. But this was like throwing yourself on an entire truck of TNT. It's not surprising, then, that Marissa's time at Yahoo was fraught with controversy. And we'll get to that.

But I want to look here at what she did when she first arrived, because there's a lot to learn from. In this turnaround situation, Marissa couldn't hire an entirely new team at scale. But she could make the employees that she needed out of the ones she had.

HOFFMAN: Yahoo was obviously this super important company on the internet that had gotten into trouble by a bunch of bad strategic and management choices and they were desperately looking for reinvention and they called you and you went, "Okay, this is a grenade I can jump on," right? What was your initial theory?

MAYER: I just felt like the people at Yahoo just seemed like really good, fun, nice people. Despite all the turmoil at the top, you could feel that. I think there's a bunch of good people who really wanna make this company work and wanna make the world a nicer place, a cozier place, and have fun doing it. That was really my hypothesis when I went in.

I was blown away when I got there because there were so many people there with so many ideas and so much energy to try and improve the company. It was really just waiting for someone to come and really try and harness it.

HOFFMAN: But when Marissa arrived at Yahoo in July 2012, the energy and enthusiasm at the company lay dormant, stifled by layers of bureaucracy and years of mismanagement.

MAYER: I remember when I first got there, someone said, "Lady, I don't even know where you're gonna start. There are thousands of things that are wrong with this place." I was like, "That's really daunting. There's thousands of things to fix?"

HOFFMAN: But there were also signs that energy was bubbling beneath the surface.

MAYER: My first week at Yahoo, I made a point of going down to the cafeteria and just hanging out for a long time. I was in the cafeteria and this guy came up and snapped his hand on my tray. He was like, "Is it go-time?"

I was like, "Please don't leave. I've only been here for four days. We might do something actually fun and cool." He was like, "No, I'm not talking about leaving. Is it go-time? There's a whole bunch of us that have been here for like five, 10, 15 years, waiting for the leadership and the board to figure itself out. Is it go-time? Can we actually run, do stuff, build stuff?" I was like, "Yes. By all means, run, go, do. Don't let me stop you."

HOFFMAN: You might find this surprising. Many people saw Yahoo as the walking dead. But even the most zombified of companies can still have employees with a flash of passion in their eyes. Sure, a lot of the more ambitious people will have left. Those who remain — and especially the ones who want to run and go and do — will feel stifled by the system that has risen around them. And they will resent it. The best way to overcome this is to say: "Hey, all of this stuff you've been putting up with for all these years? Well, I'm here to clear those things away so you can focus on bringing your ideas to life."

MAYER: Ultimately, as Eric Schmidt will always say, leadership is defense. He's like, "Look, unfortunately as an executive, you don't get to write code. You don't get to design things anymore. Your job is point the team in a direction and get everything else out of the way. Help them run and do the best work that they can do, but you've gotta clear the pathway."

HOFFMAN: So Marissa started clearing the pathway at Yahoo...

MAYER: I had this wonderful woman, Patricia Moll Kriese, who I just called The Red Tape Machete. She sort of had jurisdiction anywhere in the company to go and talk to the person who could make the decision to just blow that up, and just be like, "That process doesn't make sense anymore. We're just gonna remove this. We're just gonna do that."

HOFFMAN: Every successful program needs a name. Marissa called this one "PB and J."

MAYER: We created something called “PB and J”: process, bureaucracies, and jams. Basically, you could report process, bureaucracies, and jams that didn’t make sense to you. We wanted to come up with something that was kind of catchy and memorable and an acronym. We were like, process, bureaucracy. I was like, “Well let’s do jams.”

Patricia did a company meeting every Friday called FYI and Patricia would use the Peanut Butter Jelly Time song as her intro music when she would come up and talk about the different changes and things that we were gonna make as a result of “PB and J” that week.

HOFFMAN: Under “PB and J”, anyone in the company could suggest a problem for the Red Tape Machete to take on, as long as they also proposed a solution for it.

MAYER: We basically came up with a really scalable wisdom of crowds, like solutions to point us where the problems were. They were everything from like, we had a doorway on the stairwell in Bangalore that would get locked. It would make everyone walk all the way around the building to use the staircase on the other side. They were just like, “Can we just unlock the stairwell?”

All of those types of things to just start making the company work better, but also really empowered the people there, to make them feel like: “You need to be part of the solution.”

HOFFMAN: Notice how Marissa made employees part of the process. She could have cut through bureaucracy from the top down, with edicts and pronouncements. But by engaging employees in the process — by making them her partner in routing out bureaucracy — they became part of the solution. And this can start the transition from a cynical and disengaged team to a renewed and engaged one.

With the underbrush clearing out, Marissa wanted to encourage new ideas to flourish. Yahoo wasn’t the fresh slate that Google had been. So, Marissa didn’t have the opportunity to seed the primordial goop of a new company.

But what she could do was bring out the dormant ideas – and long-dormant passion – that could turn the company around. She could take the employees she had and make them into the idea-generating employees she needed. So she issued something she called the “CEO Challenge,” asking anyone, anywhere in the company, to propose new ideas to build the business.

MAYER: If you could come up with an idea that could make \$5 million dollars a year extra, we had a really amazing prize. I think it was like \$250,000 per team, or \$50,000 per individual. I thought we’d get maybe two dozen ideas, maybe green light six of them, get \$20 or \$30 million dollars of extra revenue.

Instead, we got, I believe, 840 submissions of ideas from across the company. There were a lot of really amazing ideas in there. I think in the end, we greenlit almost 200 of them. We started seeing tens of millions of dollars of new revenue come through that.

HOFFMAN: The outpouring of new ideas at Yahoo led to new revenue on a very large scale. Marissa's efforts to make the employees she needed from the ones she already had allowed her to gain ground. And there's a lot that other leaders can take from that. But ultimately, she ran out of time.

And this is where we hit a key limitation of my theory. Building people with the skills you need is far easier at a smaller scale startup. The company culture is still being formed and you have a longer timeline. It's not impossible at a larger company – it's absolutely worth pursuing. But you have to keep your eye on the clock. With that, we've reached the end of our investigation into this theory on making the employees you need when you can't find them. But I want to take a few minutes with Marissa as she reflects on her time at Yahoo.

I promised at the top of this episode we'd spend some time with Marissa talking about what happened at Yahoo and where she believes things went wrong. But just in case I haven't already made this clear: Yahoo was a deeply troubled company when Marissa came on board. Once a pioneer in search and email, Yahoo had been steadily losing users and relevance for years. The company was treading water as its competitors raced by on jet-skis. For many of its investors, the only real value they saw left in the company was the ownership stake it held in two other companies, the Chinese internet giant Alibaba and Yahoo Japan.

At the start of Marissa's tenure, Yahoo's Alibaba investment was like a rocket pack that helped Yahoo defy gravity. A sell-off of some of the Alibaba stock brought an influx of cash that could be spent on the new ideas that were sprouting up. But that rocket pack also came with a short fuse. And that fuse was lit when investors became eager to cash out the Alibaba holdings. Marissa and her team ran out of time.

MAYER: It's a little known fact, but for the last six quarters of Yahoo's existence prior to the sale, not only did we beat the street, we beat plan. We were starting to grow areas. We had almost \$2 billion dollars of wholly new invented revenue inside the company in five years. We had bankers saying, "Look, can we take that part of the company public? The growth on that is unbelievable."

HOFFMAN: The new growth was awesome, but it wasn't enough. Yahoo's board was anxious to cash in on the Alibaba holdings. The best way to do this would be to separate Yahoo from its Alibaba investment. But new government rules were making this more difficult. The board — including Marissa — voted to wind down this chapter of Yahoo's existence. They sold the Yahoo core assets to Verizon and kept the Alibaba holdings in a new company called Altababa.

MAYER: There were times when I even talked about my investor base was like two cats in a bag. I had one cat that was very interested in the internet and the operating business and the other sort of cat who were very interested in the Asian assets and what was going to happen with those. There really came a point where you have to let the two cats out of the bag.

HOFFMAN: Marissa and her executive team came up with a plan that would please both groups of investors. The core Yahoo business would remain an independent company and go public. The Alibaba assets would be spun off as a separate company. But that first plan proved problematic.

MAYER: We came up with a plan to do a tax-free spin off. Simultaneously, the government decided to examine tax-free spin-offs. So that made some of our investors very nervous about the outcomes there. Ultimately, we decided we should not pursue that path, but instead should do what we would call the reverse spin, which was a sale of the core business, essentially leaving the Asian assets behind, getting the operating business and the Asian assets into two different entities. Basically, there came a point where the Asian assets were so big and so much of a focus of our shareholders that it really made sense to disentangle the two, which ultimately led to the sale process and the sale to Verizon.

HOFFMAN: What would you have told yourself to do differently? If you said, "Okay, now I ran the course. These are the things I would have done differently. These are the questions I would have asked. This is how I would have approached it."

MAYER: Sure. I think that my summary now is, I love Yahoo. I think it would have been amazing to see it return to greatness and I think that there are some ways where we could have ended up with the home run outcome. That said, it would have required almost perfect timing. Nothing ever goes perfectly, especially with regard to timing. It's funny because I can now look back and say, "Oh, I could see somewhere where there was a really amazing outcome for the company, if just for these few decisions and points."

At the same time, in real time, I'm not sure. With the benefit of hindsight, you can make that observation. In real time, I'm not sure that you can. I think that the team that we had at the end, both from the executives all the way down to the individual contributors – at the end, we really had the right team.

HOFFMAN: One of the things that I tracked as an outsider in this was that to really succeed in a turnaround, you need enough time. You need time to have culture change, whether you're generating the ideas from the very smart people in the company or bringing in new ideas, you need to be able to collectively buy into those ideas and organize around them. And so a timeframe is necessary.

The weird thing is, it was like a fuel pack that came with a fuse. On one hand, it's like, "We have all these resources to do stuff." On the other hand, it caused the fuse to suddenly get very short as it appreciated. All of a sudden, your time frame was completely shortened on you.

MAYER: That's what I felt like. It felt almost like an hourglass. When the first sand starts to go through it, it looks like it's never all gonna fall through, but at the end, it starts falling through really precipitously. That's internally what it felt like. In the beginning, Alibaba gave us the luxury of time, which we really needed. In the end, it really shortened that time frame. I do think if we had, with that team, with that base of revenue, with our plan, if we had had another year and we had ten quarters of beating plan, we really could have gotten there.

In hindsight, and again hindsight is 20/20, I think it would have been helpful to continue to pursue the spin. I'm optimistic that it would have been ultimately tax-free, though it may have caused an overhang. That said, at that moment, it looked very tentative. I understand why we made the decision we made. But I do think if we'd pursued that original spin-off idea, it might have given us the year of time as an independent public company to really find our footing and start to show that growth in the operating core.

HOFFMAN: Since leaving Yahoo, Marissa has set up Lumi Labs to work on new projects. Its location is somewhere very familiar to both her and me: the original Google office.

MAYER: It's funny because I now am back in the same office I started my career in so I get to see it, live it every day. We're almost above the bike shop on University Avenue in Palo Alto, so there's these funny stucco stairs...

HOFFMAN: By the way, PayPal was in that same office, so I know which office you're talking about.

HOFFMAN: And this same office grew one of the most important means of developing talent in Silicon Valley.

MAYER: I am really proud of the APM program because I do think the legacy has touched so much of the industry overall. But to me, I don't want to take that achievement away from the APMs themselves. They're such amazing individuals, I don't feel like I get to claim credit for their achievements.

HOFFMAN: I'm Reid Hoffman. Thank you for listening.