

Yahoo CEO Scott Thompson's Resume 'Error' Could Get Him Booted

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Only two months into his tenure as Yahoo's (YHOO) chief executive, Scott Thompson is at the center of a firestorm. An activist shareholder discovered that the PayPal veteran doesn't hold the computer science degree that's been listed in numerous biographies and in securities filings.

Thompson is an exception: not for what the company is referring to as an "inadvertent error," but for getting caught.

Resume inflation is "common," said John Challenger, CEO of executive outplacement firm Challenger, Gray & Christmas. "Sometimes people enhance their resume or add a credential, and then they can't ever get away from it."

A study conducted in 2009 by payroll and HR outsourcing firm ADP found that 46 percent of reference checks turned up discrepancies. If it seems surprising that nearly half of job applicants fudge their credentials in one way or another, another stat explains why: It's really easy to get away with it. According to the Society for Human Resource Management, just under half of companies check to see if job applicants have the degrees they claim to hold. An even smaller percentage verifies that job-seekers actually went to the schools they say they attended.

Most of these job-seekers obviously aren't CEOs, but Thompson isn't the first chief executive to have a resume that doesn't match up to the facts. RadioShack CEO David Edmondson resigned in 2006 after the Fort Worth Star-Telegram discovered that he hadn't earned the two degrees he claimed. Kenneth Lonchar, CFO of Veritas Software, resigned in 2002 after the company found out he didn't hold the MBA he claimed to have earned.

These executives don't always leave. When it was discovered in 2002 that Bausch & Lomb CEO Ronald Zarrella hadn't really gotten an MBA from NYU's Stern School of Business, he had to give up more than a million dollars in bonus compensation. The longtime company executive got to keep his job, though. Five years later, Zarrella netted nearly \$30 million from a private equity takeover of the company.

The irony is that Thompson's degree didn't really matter when Yahoo hired him, Challenger said. "No company wants someone who's been lying on his or her background, but in terms of job searches for executives, companies don't care much about what they did when they were 22. They care about what they did in the last five or 10 years."

Yahoo is standing behind Thompson, saying in a statement, "This in no way alters the fact that Mr. Thompson is a highly qualified executive with a successful track record leading large consumer technology companies."

That's true, but the alleged falsehood could still spell trouble for the struggling Internet company. "To the extent that the CEO misreported his education, such misreporting would raise significant concerns regardless of whether the misreporting could be linked directly linked to underperformance," said Lucian Bebchuk, director of the program on corporate governance at Harvard Law School. "Misreporting and lack of integrity are detrimental to shareholders' long-term interests even if the direct link to performance is not observed."

Hedge fund Third Point LLC, which discovered what it termed the "material inaccuracies" in Thompson's credentials, sent a letter to Yahoo on Friday calling for the ouster of Thompson along with board member and search committee chair Patti Hart. "Irreparable damage to Yahoo!'s culture will continue every day that the Board allows Mr. Thompson and Ms. Hart to remain at the helm of the Company," the letter said.

Third Point, which has clashed with Yahoo over its board of directors and has more than \$1 billion invested with the company, didn't mince words. "Mr. Thompson and the Board should make no mistake: this is a big deal."

Third Point or any other shareholder would have an uphill battle if they wanted to take their fight from the boardroom to the courtroom, experts said.

"If the shareholders of Yahoo wanted to sue they would have to show either decisions or actions or something he's done were made because he had a lack of the ability or skills you'd get with a computer degree," said John Hancock, labor and employment attorney at Butzel Long. "Absent that proof, it would be hard for them to bring a lawsuit."

Third Point might still get what it wants, though. Thompson maligned his character and embarrassed the company — neither of which Yahoo is in a strong position to counter right now if investor sentiment sours. "With a company that's kind of fragile, it makes it the company... more vulnerable to the damage of a disclosure like this," Challenger said. "At a public company, unfortunately, the perception may be reality."