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The Yahoo! Deal

What Microsoft Could Do For Yahoo! Employees

[Wendy Tanaka](#), 04.11.08, 6:30 PM ET

BURLINGAME, CALIF. - Despite the flurry of activity from background players in the **Yahoo!-Microsoft** deal saga this week, many industry watchers still believe that the software giant may well prevail in its campaign to acquire **Yahoo!**. And typically, when one industry titan swallows another, job losses follow.

So should Yahoo! (nasdaq: [YHOO](#) - [news](#) - [people](#)) employees be working on their résumés?

In this case, maybe not.

To achieve the promised "cost savings" that executives like to forecast when they're acquiring a company, layoffs do often follow. In a late February speech at a **Goldman Sachs** (nyse: [GS](#) - [news](#) - [people](#)) investment conference, Microsoft (nasdaq: [MSFT](#) - [news](#) - [people](#)) Executive Craig Mundie conceded that job losses would likely follow a Microsoft-Yahoo! combo. "The reason we think there's synergies, actually, even in the R&D side, is that there's a lot of redundant development going on," Mundie said.

"The search engines are both being developed right next to each other in two different companies, and many other components, the whole advertising system. Every one of these things is being redundantly developed by two groups of very, very smart people. At the end of the day, you don't need both. There may be great components from the two of them, and over time you could smooch them together, but there's a lot of fungibility in that part of the investment."

But not all those losses are likely to happen in Sunnyvale, say industry watchers.

Microsoft's primary reason for buying Yahoo! is to combine forces and go head-to-head with **Google** (nasdaq: [GOOG](#) - [news](#) - [people](#)) in the burgeoning online advertising market. That means Microsoft will have to handle the Sunnyvale, Calif., Internet portal's workers with kid gloves if it wants to keep top talent and ensure a smooth integration of the two companies. "If Microsoft is going to treat Yahoo! people as second-class citizens, a lot of good people will leave," says Kiumarse Zamanian, a former Yahoo! advertising executive.

In Yahoo!, Microsoft is gaining a tremendous asset: the world's premier consumer Internet portal with 500 million visitors a month. "This is not a traditional acquisition. Microsoft needs to tread lightly," says Burton Group analyst Ken Anderson. "They're going after something more

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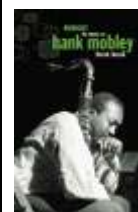
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