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The Challenges of Transforming Twitter

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Summary.

Elon Musk may be an idiosyncratic leader, but if he buys Twitter he'll face a familiar business challenge: how to transform a legacy tech company. Faced with this challenge, leaders should follow five principles: 1) prioritize an objective, 2) communicate the strategy, 3) rethink norms, 4) set high but achievable expectations, and 5) transparently engage with stakeholders.

After months of uncertainty, Elon Musk appears to be moving ahead on a deal to acquire Twitter for \$44 billion. (Probably.) If the deal goes through, the next big question is: How will he change the company? Musk's specific goals for Twitter have been hard to pin down, but the problem of how to transform the strategy of a technology business is a familiar one. What Musk will need to overcome is not unlike the challenge faced by an outside executive joining a new company, a private equity firm on a new deal, or a general manager overseeing an acquired business unit on behalf of a conglomerate.

Granted, this situation has its own unique challenges. For one, Musk's experience is primarily with building new businesses, not transforming existing ones. For another, Twitter epitomizes the ongoing challenges in the business of social media: It faces questions of how to monetize, what content it should moderate (or censor), and what role it should play in society to allow it to create the most value.

Particulars aside, though, there is a framework of best practices for how to implement and execute on a strategy that fundamentally changes the course of a technology business — one that any leader would do well to follow. Our view is that, regardless of what path Musk decides to take, effective strategic change will require that Musk follow five key principles.

Principle 1: Prioritize an objective.

Before designing and implementing a new strategy, a new leader needs to prioritize a clear objective. This could be long-term revenue growth or short-term profitability; existing customer value or novel new products. Managers of innovative firms always face these tradeoffs.

In practice, failing to identify a primary objective almost always means a company ends up pursuing contradictory ones — leading to an inefficient strategy at best and a self-defeating one at worst. Without a clear priority, leadership cannot formulate a strategy that aligns all aspects of the organization. Business units and frontline employees will likely end up making their own choices about what to prioritize, or kick otherwise small decisions up to leadership, distracting them from higher-level strategy.

Musk has been successful at this in the past. At Tesla, for instance, his commitment to growth over short-term profitability has allowed the organization to focus entirely on achieving scale in manufacturing while innovating on new products. (Fortunately, he has investors that agree with his priorities.)

That might be harder at Twitter. For one, he's an outsider coming in to an organization with existing objective(s). Furthermore, Musk faces pressure from all sides to pursue competing objectives, such as boosting revenues, transformational change without regard for profit. Musk himself has suggested he's interested in the company's societal value.

Any of these are defensible objectives, but he needs to focus on just one to start. He can then design, implement, and communicate a strategy.

Principle 2: Communicate the strategy.

For any strategy to be effective at transforming an organization, it needs to be communicated quickly and decisively, and be clear and simple. Specifically, a strategy should be “the smallest set of choices to optimally guide (or force) other choices,” argues our colleague Eric Van den Steen.

Consider the transformation of the airline Ryanair — a case we teach in the strategy course at Harvard Business School. Ryanair started as a more general airline and struggled. So, it redefined its strategy, which can be summarized as simply as “offering the cheapest point-to-point flights in Europe through a low-cost model.” The simplicity makes it easy for anyone in Ryanair to apply the strategy to their particular context. Consider an airport worker who needs to decide whether to load a plane using a jet bridge or a stair truck. By knowing the strategy, that worker can easily make the decision herself: to use the stair truck because it is the lower-cost option. That common strategy keeps everyone in the company aligned, and importantly, the CEO of Ryanair now doesn't need to be involved in that decision.

Musk is definitely capable of communicating a simple guiding strategy to his businesses. At Tesla, the strategy has been “to accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible.” This strategy guides

other decisions like whether or not to build a massive battery factory (or multiple factories) and deploy a global network of retail charging stations.

Immediately upon taking over, Musk needs to put in place a decisive strategy for Twitter's next few years, which can guide his team without him needing to be overly involved. Our sense is that the strategy must, at minimum, lay out a clear path for what products Twitter should be involved in (e.g., video, audio, or just text?) and what content should be allowed (e.g., political speech? Explicit content?).

So far, Musk has been ambiguous about his strategy for Twitter — leading to others eager and willing to fill in the logic themselves. There is broad speculation on what he will likely do to what he could do to what he might do. Musk needs to shut down this confusion and communicate a clear strategy so his team at Twitter can get to work.

Principle 3: Rethink norms.

Over time, companies naturally accumulate habits and routines. Many of these once served the business, but don't make much sense today. A change in ownership or management provides a special but limited opportunity to challenge existing assumptions and rethink norms around what the company does.

We've seen this problem at many companies. Consider Microsoft's modern transformation. Before Satya Nadella took over as CEO at Microsoft, much of the company was focused on closed-source, on-premise licenses of Windows and Office products that were multiple decades old. Even though he was an insider, Nadella took the opportunity to rethink the underlying assumptions and shift the company towards open-source cloud computing, a strategy that positions Microsoft much better for the future. Rethinking norms is not only possible at an established firm, but it is necessary to bring the strategic change that positions the firm for the future.

Musk already regularly does this at his own business. He once explained a guiding principle for design should be "Make your requirements less dumb." Musk's philosophy of questioning norms, trying the unorthodox, and communicating that failure is tolerated (such as popularizing the term "rapid unscheduled disassembly" (RUDs) to refer to explosions) signals that it is not only acceptable, but desirable, to challenge assumptions.

Twitter has struggled to change. Its head of consumer product, Kayvon Beykpour, has said that "the notion of Twitter even changing feels like a novel concept." Yet there are plenty of existing norms at Twitter that are ripe to be challenged: an advertising-first revenue model, its 280-character content format, and the alleged favoritism towards liberal political content. Think about how long it took for it to add an edit button. This

inertia has left Twitter playing catch up to competitors like Snap, Meta, and Clubhouse, and it often takes years for Twitter to just copy something.

By both 1) rethinking norms and 2) building a culture that allows employees to rethink norms, Musk can empower Twitter to launch first-mover innovations and move beyond the past.

Principle 4: Set high but achievable expectations.

Setting reasonable expectations during a period of strategic change is especially difficult. As one of our (Andy's) research with HBS doctoral student Aticus Peterson showed, managers consistently struggle to set realistic timelines on complex technical projects. And while anticipating timelines on new technologies is hard enough, many would argue that it is even harder to anticipate timelines for organizational change. But when organizations set unrealistic expectations — on timelines or anything else — employees can get pushed beyond what is fair and end up burned out.

Setting bold expectations is certainly a strength of Musk, but setting achievable expectations is often a weakness. Tesla's progress in advancing electric vehicles is certainly commendable, and often amazing, but that has come at a great cost. Musk frequently proclaims unachievable timelines for Tesla products: He already missed his original plan to launch the Cybertruck in 2021, and production has been further delayed into 2023.

At Twitter, Musk would do well to carefully manage internal and public expectations. Consider the problem of content moderation. Regardless of Musk's specific vision here, improving and changing content moderation requires massive fixed-cost investments in technology infrastructure and ongoing variable costs with (tens of) thousands of human moderators. The complexity of this effort is exactly the kind of thing that managers underestimate — perhaps Musk especially. Other ambitions, such as moving Twitter to a new open-source protocol, would require completely rebuilding Twitter's technology backend and have significant consequences for every aspect of its business. We cannot say whether that is a good idea, but we can say that it is a bad idea to go into something that extreme without a realistic expectation of the time and cost of seeing it through.

Principle 5: Engage stakeholders.

Strategic change always leaves someone unhappy. The existing customers and employees are used to a certain experience, even if that experience may be leading the company in the wrong direction. To overcome this, managers should engage transparently with

stakeholders about the product roadmap, and the vision and values of where the business is going to go.

The example of Meta is a cautionary tale for Musk and Twitter on how to engage with users, regulators, and investors. As we've written about before, Meta and Twitter face the same challenge of moderating social media content while being watched closely by users and regulators, and Meta has struggled. First, Meta CEO Mark Zuckerberg under-communicated with stakeholders about the tradeoffs in moderating content (e.g., one person's free speech is another person's hate speech), and then Meta implied it had more control over its problems than it actually does. Second, Zuckerberg failed to establish expectations of accountability in the eyes of stakeholders by defining boundaries on which aspects of its platform it wants to — and can be — accountable for, and so no one is accountable at the end of the day.

Engaging stakeholders isn't easy, and may be Musk's biggest challenge at Twitter. Engaging people on the idea of building electric cars and going to Mars is relatively straightforward. But when it comes to social media, the stakeholders are themselves already deeply divided. The reaction to the acquisition is far from universally positive, polarizing people along ideological lines. In a general sense, this is about more vs. less moderation. In a more specific sense, this is about specific instances of moderation — whether to allow the return of President Trump to Twitter, for instance. Further augmenting the challenge, Musk will need to deal with a variety of international stakeholders from Europe or China who have their own tastes; the EU, for one, has warned Musk that he'll need to follow Brussels' rules on digital content moderation or face “hefty fines or even a ban.”

There is absolutely no solution that makes everyone happy. But whatever Musk decides to do, he needs to learn from Zuckerberg's mistakes and engage stakeholders by transparently communicating the underlying tradeoffs and defining boundaries on what he is going to be accountable for.

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So far, Musk has consistently had the luxury of growing new organizations around his vision for the company (and society). Leading and owning Twitter will be a stark departure. New managers and owners arriving for the first time to a legacy technology company need to wrestle with the difficult task of organizational change in the face of cultural inertia. With Twitter, Musk will, for the first time, experience the challenge of changing established cultural norms. To make matters even more difficult, Musk's infamy for radical ideas will increase the strength of the headwinds he is likely to face. Even when

he was able to control almost every aspect of a company in the past, Musk's radicalness has resulted in brushes with bankruptcy many times at his other firms.

Twitter is a unique kind of challenge for any manager, and it will be the ultimate test of Musk and his capacity to turn a company around. But for the rest of us watching, we can learn about what works and what doesn't when transforming strategy in a technology business.

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