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What Elon Musk Can Learn from Steve Jobs's Return to Apple

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Summary.

Changing the strategic direction of an existing company is among the hardest management challenges out there. Most attempts fail. In trying to remake Twitter, Elon Musk has a daunting task ahead of him. There's precedent, however, for dramatically reimagining a major tech company: Steve Jobs' transformation of Apple after he returned to the company in 1997. And it may have important lessons for how Musk — and other leaders — can navigate the period of painful misalignment that comes with strategic change. Namely, how this period requires managers to commit to tough decisions in three areas: product, organization, and stakeholders.

It's been just over a month since Elon Musk moved ahead with a \$44 billion-dollar deal to buy Twitter and take the company private. These have been eventful weeks: Layoffs and resignations roughly halved the headcount at the company. Major changes to the service (Twitter Blue) have been rolled out only to be almost immediately rolled back, and Musk has begun to outline a new vision for what the company might become. On top of that, thousands of banned accounts have been reinstated, advertising is way down, and users have speculated about the service's impending collapse and searched out alternatives.

As we wrote before the deal closed, changing the course of a legacy technology company like Twitter comes with major challenges. Musk's idiosyncratic approach to strategy and leadership only adds another variable to how this might play out. Twitter, after all, presents a different kind of challenge than the kind of moonshot projects Musk pursues at his many other companies. Success — or failure — depends on whether Musk can change Twitter's strategy and transform it into the kind of company he can succeed in running.

Changing the strategic direction of an existing company is among the hardest management challenges out there — one estimate by McKinsey suggests it fails most (70%) of the time. The upheaval during Musk's first month is just the start of what has to happen at Twitter. He needs to define the new strategy and reshape the company around it. It won't be easy.

There is, however, precedent for this kind of transformation: Steve Jobs' historic turnaround of Apple after his return in 1997. In many ways, that was as tumultuous,

painful, and controversial in the near-term as Musk's takeover of Twitter has been. Looking at Jobs' decisions can provide guidance to executives thinking about strategic change — and maybe even for Musk himself. Yet, Twitter's turnaround is diverging from Apple's in important ways that raises red flags about Twitter's future survival.

Strategy as Alignment in the Long-Term

An effective strategy is fundamentally about making a set of decisions that are aligned with one another and with the long-term vision of the company. By alignment, we mean consistency among a few defining decisions so they fit together in achieving an overall aim. Alignment ensures every person adopts proposals that make the firm better off as a whole (and rejects proposals that would make it worse), rather than just those that benefit their business unit. And while strategy often starts at the C-Suite, it is alignment that allows a core set of decisions to instill your strategy across the whole organization — shaping people's priorities, how they work, and how they make decisions.

Prior to Musk, Twitter had a clear strategy that was clearly aligned across people and time. Since its inception, Twitter had focused on simplicity over all else, and its choices aligned well with that strategy — tweets remain the core of the service and have barely changed since 2006. This focus has been reflected in Twitter's culture, too. Ev Williams, one of Twitter's three founders, recalled, “Over the first year or two, we took away almost as many features as we added.” That approach never really went away.

This strategy has had clear drawbacks, however: Twitter tepidly and sluggishly introduced new products, resisted change, and avoided innovation. Its alignment towards simplicity made it hard for changes and additions to stick. Twitter acquired more than 60 companies — including Squad (a video-sharing app), Breaker (a podcasting app), and Revue (a newsletter app) — yet you'd never know it looking at the company today. The effectiveness of that alignment locked Twitter into a stagnant position. By Musk's judgement — and that of prominent shareholders — this strategy was slowly killing Twitter.

Now, it is precisely this effective alignment in the old strategy that makes implementing a new strategy so difficult.

Managing the Realignment

Strategic change is so difficult because it requires suffering through a period of painful misalignment. During this time, the company gets worse at what it has been doing, but it isn't yet built to succeed at its new aim. This is where most CEOs stumble: By trying to

alleviate the short-term pain at the expense of what needs to be done for the long-term, they prolong the misalignment, dragging the transition out.

Here, Jobs offers a good model. After his return in 1997, he shifted the Apple's strategy towards simple to use and aesthetically attractive products. The eventual success of this strategy is of business legend. But the real masterstroke is in how Jobs managed (and survived) the transition from the old strategy to the new strategy.

After Jobs left Apple in 1985, the company fell into a strategy of selling undifferentiated grey boxes that competed on price — and the company he returned to was aligned towards that aim. Getting from grey boxes to candy-colored iMacs requires persevering through a period of painful near-term misalignment. For Jobs that meant facing criticism for deteriorating financials, having to cut a workforce by nearly half, and losing an entire board of directors. It takes a special kind of executive to lead through these situations, and perhaps it is better suited for those that are considered cold and dictatorial. But he persevered, transforming the company from a near failure to the global success that it is today.

Musk's first attempts at reforming Twitter have caused similar pain and provoked similar criticism. The question is whether Twitter can weather this short-term pain long enough to fully implement the long-term strategy.

To make it through this period, managers need to commit to tough decisions in three areas: product, organization, and stakeholders.

Product Roadmap

Implementing a new strategy requires changing the products of today to align with the value proposition of tomorrow. But this incurs an inevitable conflict between the old and new value proposition.

Consider the blue checkmark at Twitter. It was originally intended to verify someone's identity so followers could tell real accounts from fake ones, but over time it became a signifier of a user's clout.

Musk offered a different value proposition: The blue checkmark would instead be given to Twitter Blue subscribers and signify a premium membership for users wanting fewer adverts and early access to new features. This substantially changed the product for both power users and regular ones, and the ensuing confusion wreaked havoc in the Twitterverse. In reaction, Musk has delayed the release of Twitter Blue and even suggested introducing different types of checkmarks.

To align product for the new strategy, leaders need to identify the new value proposition and commit to substantial changes in product lines that send clear signals about the new strategic direction. When Jobs returned to Apple, he changed Apple's value proposition by abandoning 70% of Apple's existing product line and introducing the drastically new iMac G3. Shaped like an egg and available in 13 colors rather than the square, grey box typical of desktop computers for the time, the iMac played an important role in signaling Apple's intent to completely pull out of the low-cost computer market and focus instead on sexy industrial design (while sacrificing the iMac's performance per dollar). The change also involved a massive \$100 million advertising campaign, which was a clear commitment by Jobs that he was serious about the new strategic direction.

At Twitter, a revamped checkmark system suggests a shift towards a more subscriber-centric value proposition. Musk has hinted at more radical changes down the road, such as adding banking and investing services. To be effective, these products have to align with the new value proposition, like Jobs did by focusing on industrial design over low-cost, and the company needs to make serious commitments to that value proposition, like Apple's iMac advertising campaign.

Organizational Culture

Cultural misalignment reveals itself when people don't want to march in the direction you want to go.

"Twitter was too nice," was the conclusion reached by Twitter executives back in 2021. Twitter's previous collaborative environment made people reluctant to criticize each other, calcifying the organization. In contrast, Musk wants the organization to be "hardcore," which might mean a lot of things, but "too nice" is probably not one of them. This has led to great turmoil inside the company, with employees resigning en masse and many coming out to publicly criticize Musk.

Organizational alignment requires that leadership provide remaining employees a viable option to choose the new organizational direction and to reward and protect those who do make that choice. Jobs was quoted in 1998 as saying Apple had "10,000 mediocre employees that have to be cleaned out." Yet, he protected the industrial design department from broader layoffs. With this decision, Jobs signaled that Apple would return to a culture of designing great products, a decision that was more broadly aligned with the value proposition offered by the iMac G3.

Musk is already uprooting Twitter's existing culture, but he needs to define what he wants to replace it. First, he still needs to provide a clear definition of the values and priorities of the "hardcore" culture he wants to build — and what kind of product he wants Twitter to

be. Second, Musk needs to be clear about how he will measure and reward the employees that march with him in this direction. What matters in the long term is how the employees that remain and want to march with him are treated.

Stakeholder Engagement

The transition to the new strategy leaves some existing stakeholders misaligned with the business's new direction before better-aligned stakeholders can replace them. In other words, it means making a lot of people mad with few people there to cheer you on.

Musk's new content moderation policy, which includes reinstating previously banned accounts and providing amnesty to others, is at odds with Twitter's previous policies in a way that changes stakeholder relationships in important ways. This has had immediate consequences. Looking to protect their brand, many advertisers paused spending on Twitter. As a second example, Musk's decisions to generate a greater share of revenue from users, rather than advertisers, put Twitter on a collision course with Apple, which charges a 30% commission on subscription services purchased through Apple App store. (This was not a problem when Twitter relied on advertisers and was free for users.) The dispute appears to be settled — App store users will pay a higher price — but that doesn't change the fact that Musk has created many enemies and he is yet to recruit clear allies.

Leadership must engage new stakeholders complimentary to the new strategy, while having the fortitude to break away from stakeholders with values contradictory to the new strategy. Jobs made allies (and enemies) early on and where it mattered. He was under no delusion that Microsoft had won the war for the desktop and initiated a series of moves to end the long-running battle and stay out of Microsoft's way as much as possible. He signed a deal with CompUSA Inc, the biggest computer-store chain, to set up Apple stores within stores — reinforcing Apple's new strategy of moving away from grey boxes to colorful iMacs, which people had to experience in person to appreciate. Jobs also got into fights with partners by reversing a promise to let them clone the Mac. Notability, this decision was also in line with Apple's new strategy of moving away from low-cost products.

While it's unreasonable to expect Twitter will have cozy relationships with all of its stakeholders, Musk should focus on the ones that are aligned with his long-term vision for Twitter, and decisively but gracefully abandon those that are not. Apple has faced in-depth antitrust probes around how it acts as a gatekeeper between software makers and hundreds of millions of people. Should Musk choose to fight Apple, he might find allies among other stakeholders (including competitors)—like Epic Games, Spotify, Netflix, Airbnb, Facebook, and news publishers—who have the same interest in taking on Apple. (This list also includes most major governments.) And as for the advertisers, they may not

be the right (paying) partners in Musk's vision for a chaotic lightly moderated town square of free speech. The challenge for Musk will be carefully choosing which battles not to fight.

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In order to accomplish what is one of the most successful strategic changes of all time, Steve Jobs had to make decisions at Apple that were immensely painful in the short term. But together, these decisions laid out a commitment to clear strategic direction for Apple. This direction not only acted as a guiding light for products and employees, but also signaled intention to stakeholders. We would suggest the same to Musk. Many strategic directions are currently available to Twitter, but the key insight is that all the choices today must align together for the long term.

As we said before, most managers fail at strategic change. So, we frequently advise executives and our students from even getting themselves into this situation. The biggest fault we find with Musk's acquisition of Twitter is that he should have accounted more for this challenge in pre-deal due diligence (and just not have done the deal in the first place).

But we shouldn't judge the rough period today too soon. The turmoil today is necessary for the potential of change tomorrow—and successful change is possible. And so the rough period is expected and necessary. The only question is whether or not the company will fail before Musk succeeds in the transformation. Most managers would fail at this, but Musk has repeatedly surpassed our expectations before on all kinds of amazing feats. But changing the direction of an organization is quite different than landing a rocket, and there is a good argument that it is harder.

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