

Twitter Leadership role – Twitter’s Ups and down since 2006

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ABSTRACT

Elon Musk bought Twitter in the month of October of 2022 and as of January 2023, Twitter is looking for its next CEO. While change in leadership is not something new in this dynamic environment, the effects of change cannot be ignored. Twitter is no different, and every change in leadership has seen a change in the organization and the product. Today, Twitter awaits its next leader, at a time when employees are quitting, users are not happy and share prices are dropping. The case traces the leadership journey at Twitter.

Keywords: Leadership, Business, Management Change, Leader trait, Leader style

The birth of Twitter

On March 21, 2006, Jack Dorsey sent out his first tweet, “just setting up my twttr” and the full version of Twitter was born four months later on July 21, 2006 (Hosch, 2009; Wolan, 2011). At that time, Jack Dorsey was working with Odeo, a podcasting venture founded by Evan Williams, Biz Stone and Noah Glass. Evan Williams and Biz Stone were former google employees (Wolan, 2011).

When Apple announced that it was going to include podcasts in iTunes, the founders of Odeo believed that they would not be able to compete and that they need to diversify. They encouraged their employees to come up with ideas and innovative products. Dorsey, who was an engineer with Odeo, suggested a short message service that allowed its users to share blog-like updates. Thus, the idea of Twitter was born.

To support the growth of the platform, William, Stone and Dorsey set up Obvious Corp by buying out Odeo. Soon they received funding from angel investors, led by Union Squares Ventures, and Twitter, Inc. was established in April 2007 with Jack Dorsey as its first CEO. The firm underwent a leadership change a year later, when Evan Williams replaced Jack Dorsey as CEO. Reports in the book “Hatching Twitter” by Nick Bilton, suggest that the board of twitter was not happy with the leadership style of Dorsey and had asked him to step down. Two years later, Dick Costolo ousted Evan Williams as the CEO (Murphy, 2019).

Over the next two years, Twitter continued to grow in terms of number of users. It became a key medium for disseminating breaking news, raising funds and creating awareness. From being used as the tool for antigovernmental protests in Egypt, Libya and Tunisia; to announcing the death of Whitney Houston and the results of the presidential election in 2012, Twitter grew in popularity(Mackintosh, 2012). However, the firm was not able to monetize the popularity effectively. This led to the company going public in 2013. Its initial public offering (IPO) in November raised \$1.8 billion, giving it a market value of \$31 billion (Popper, 2013; Thapliyal, 2013).

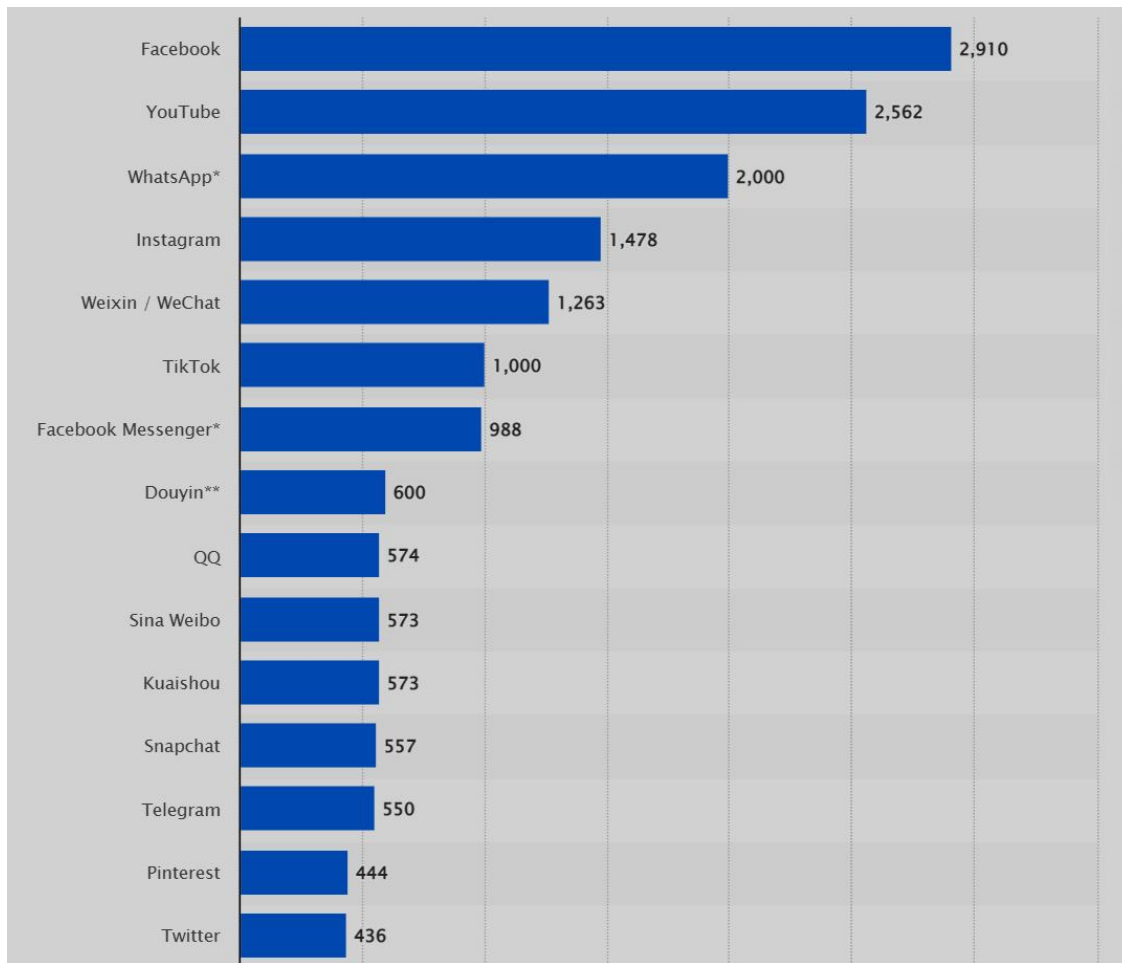
Industry Analysis

The social media market has been on a growth curve. It is suggested that the market grew from \$193.52 billion to \$231.1 billion over the last one year (The Business Research company, 2023). This growth is expected to continue with the forecast that the market will grow to \$434.87 billion in 2027 with an expected CAGR of 17.1% (Popper, 2013; Thapliyal, 2013).

This growth may be attributed to the increased use of smart gadgets like smartphones and tablets. This will drive data consumption and in turn contribute to the growth of the social media market.

Another major reason for the growth of social media companies is their ability to offer their social media platforms for the promotion and sale of goods via e-retailers. Social media platforms enable targeted advertising based on consumers behaviours and demographics. Most social media platforms have incorporated a ‘Shopping’ tab in their app. Others like Snapchat and Twitter have integrated advertisements to facilitate direct purchases within their platforms.

Major players in the market include Facebook, Youtube, Instagram, Twitter, and LinkedIn. The figure below (Figure 1) shows the relative market share of different social media platforms (Statista, 2022).



Source: Statista (2023)

Figure 1: Number of active users in millions

Twitter's growth story

Twitter was publicly launched in July 2006. The unique feature of twitter was the character limit it placed on each post. The original offer allowed users to use only 140 characters. This was later modified and the character limit was doubled in 2017.

The site originally used SMS to send tweets onto the network and received its first boost of users at SXSW 2007, where the founders Jack Dorsey, Noah Glass, Evan Williams and Biz Stone demonstrated how the tweets were hitting the network in real-time (MacArthur, 2020; Meyer, 2020).

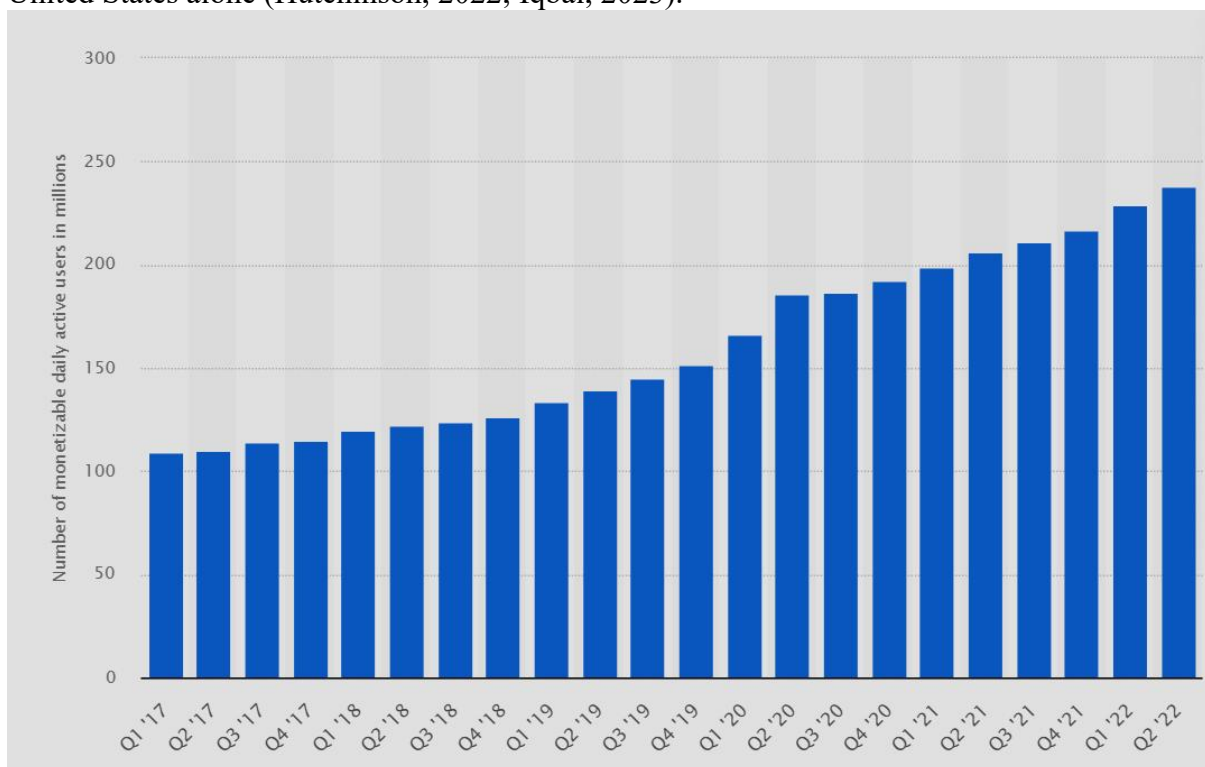
Twitter's user base grew to over 300 million monthly active users and it continued adding new features but the look and feel of the original platform was maintained (Iqbal, 2023). While most users liked this aspect of Twitter, the shareholders were not particularly pleased as they wanted Twitter to be more competitive like Facebook (Iqbal, 2023).

Twitter branched out and created a number of innovative products like Vine and Periscope. However, both products had to be cancelled soon after launch and most users believe that this was because Twitter did not manage the projects well. Else, Vine, which came out before Music.ly and TikTok, and allowed people to record short videos should have been able to capture a large chunk of the market and be a success. At this point in time, Twitter was managed by Jack Dorsey, then founder Evan Williams, followed by Dick Costolo, who was

replaced by Jack Dorsey. This time around, Dorsey also headed his own venture, Block Inc, which led to complaints from shareholders and eventually a lawsuit.

Twitter continues to experiment with new formats for tweets, like donations and currency for tweets. A recent product launched was Twitter Spaces, similar to Clubhouse’s live-audio platform. But Twitter’s track record suggests that the platform is not good at managing products outside of its original platform (Hutchinson, 2022; Iqbal, 2023; Meyer, 2020).

Even with the lack of success in introducing and growing new products, Twitter has still seen a growth in its user base. The statistics of 2021 suggest that Twitter generated over \$5 billion in revenue and reported a 35% increase from the previous year. A majority of the revenue (92%) came from advertising. The reported net loss had also fallen by 80 % and the number of daily active users was recorded as 206 million, of which 38 million users were from the United States alone (Hutchinson, 2022; Iqbal, 2023).



Source: Statista (2023)

Figure 2: Number of daily active users in millions

Twitter Buyout and Buyin

In the year 2006, just after the two months of birth, the founders met with the investors to update them on the working of Twitter. The investors were not convinced about the idea of Twitter and were reluctant to invest. At this point, William’s proposed a buyout shares, where he would buy, worth approximately \$5 million. Within 5 years, the company was worth 1000 times at \$5billion. This created doubts that William was not upfront with the plan and idea and was only looking for personal growth.

Twitter started with just a thousand users in 2007. The South-by-South West (SXSW) interactive conference provided a big boost for the platform. The event was held in Austin, and film, media and music festivals were organized under the banner. At this point, Evan offered to buy out the investors at a value of \$25 million. This one event was broadcasted through Twitter, which gave it space in the market, as number of users were increased. As the company moved on, technological advancements happened simultaneously (see Figure 3).

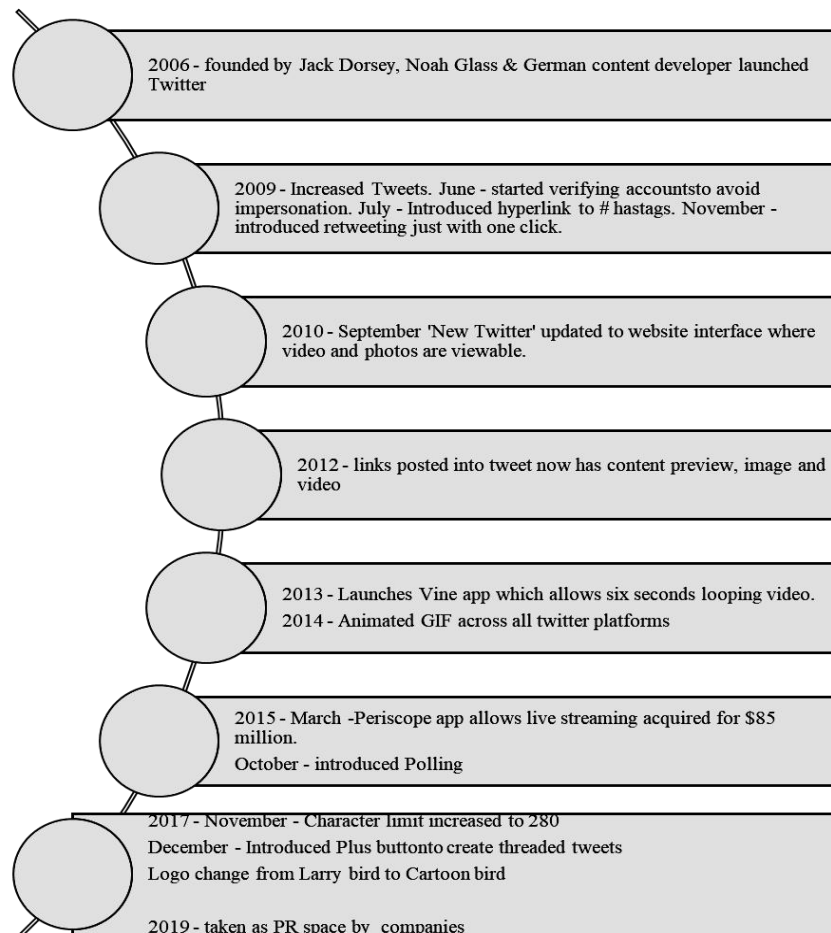


Figure 3: Milestones

Leadership at Twitter

The Twitter leadership saw many changes. Dorsey saw the platform through two rounds of capital funding. Williams replaced Dorsey in 2008. October 16th as the CEO of the organization and Dorsey became the Chairman of the board (MacArthur, 2020). Two years later, Williams announced that he would be stepping down and Dick Costolo became Twitter's third CEO on October 4, 2010 (Interactive Schools, 2018; Thapliyal, 2013). However, Williams did not leave the organization but stayed on and focused on product strategy.

According to press reports, when Williams stepped down, Dorsey and Costolo became closer and Williams was distanced from the day to day running of the organization. Williams released a statement saying he would continue to help Twitter in any way possible and would

be a board member only. In March of 2011, Dorsey re-joined the organization as executive chairman and was responsible for product development. While assuming the role of executive chairman, he was also the CEO of Square.

The next change happened in September of 2011 when Fred Wilson and Bijan Sabet resigned from Twitter's board of directors. Twitter then hired Google's Matt Derella, as their Director of business agency development, in 2012; and Anthony Noto from Goldman Sachs, as the company's CFO in 2014 (Java, Ruby, & Scala, 2006; MacArthur, 2020). The next year, Costolo resigned from the post of CEO and while most people thought Noto would be offered the role, Jack Dorsey was brought back as CEO.

The year 2016, further saw many changes in the leadership. Leslie Berland from American Express was brought in as the chief marketing officer; Adam Bain, the COO of Twitter, announced his resignation and CTO Adam Messinger also decided to leave the organization. In February of 2020, Elliott Management Corporation acquired a stake in Twitter. Paul Singer, an activist and shareholder was said to have demanded the removal of Dorsey from the role of CEO (Java et al., 2006). The Twitter board is said to have agreed to buyback \$2 billion worth of shares and appoint a new independent director and two new board members. In 2021, Dorsey resigned as CEO of Twitter and was replaced by Parag Agrawal, the then CTO of Twitter. But Parag's stint as CEO was short-lived. In October, 2022, Elon Musk purchased the company and fired the CEO, CFO, Chief Legal officer and General Counsel. He replaced the board with a sole director, himself. He also appointed himself as the CEO of Twitter.

Each leader had a significant impact on Twitter and its growth chart. The following sections present an analysis of Twitter under each of the leaders.

Twitter under Jack Dorsey

From the time Odeo lost the market as podcaster, under the same banner, Twitter was brought in, where Jack Dorsey was driving the company as the CEO as per the consensus from the founders of Odeo. While the idea might have been brought in by Glass, but the transformation of the idea into action was done by Dorsey.

Dorsey as a person, worked with the mindset of an entrepreneur. From the age of 15, he was interested in technology and technological advancements. This is reflected in his career choices, which began with the creation of a software on Taxi dispatching services, which slowly tracked couriers and emergency vehicles also.

As the CEO of Twitter, Dorsey worked on timely expansion and simultaneous products which supported the growth of the platform. During the period of 2006 to 2008 he assumed the role of CEO and post his tenure he also founded Square, a mobile payment venture, to facilitate the credit card transactions. Square was later renamed as Block.

His interest in technology led to the generation of a large number of ideas during his time at Twitter. In addition, he also dabbled in Fashion designing and was a certified masseur. His strategic thinking and decision-making ability helped in increasing the number of active users and also helped in increasing the presence of Twitter around the globe.

He was also a member of the Board of Directors for Disney Company. In the year 2008, he was positioned as Chairman and Evan Williams took the post of CEO. His vision brought

Twitter to everybody's' doorstep. In 2011, he interviewed President Barack Obama during a Twitter town hall. During his tenure the company had its 1st IPO at \$26 per share. He also ensured the growth of Twitter through the timely acquisition of other applications like Caviar, a food delivery app.

As a person, he was fashion setter. He redefined the traditional outfit of CEOs, he loved a luxurious life, focused on healthy diet by having one meal a day and fasting on weekends, invested in real assets. He was human centric, and showed it through his contribution towards employees of Twitter and Square by giving stock options and expressing concern during COVID pandemic. He was also fan of Elon Musk, the most tweeted person for his thoughts and ability to inspire young minds.

He was interested in cryptocurrency and ensured he was up to date with regards trends in the market. Dorsey aimed to make twitter a platform that promoted freedom of speech, without filters and policies, open to all users. His disagreement with the deletion of the account of Donald Trump was made very clear. After a small break, he returned as CEO of Twitter for the period of 2015 to 2021. There were multiple instances when Dorsey had to fight to keep his position. For example, in 2020, when Elliot Management bought a major share in the public platform, they demanded that Dorsey step down from the post of CEO because he has to manage two companies and was planning to travel in Africa for brief period. The situation was handled through agreement with equity private firm Silver Lake which led to an additional investment of \$1billion by Silver Lake in Twitter and both Elliot and Silver Lake occupying seats in the Board of directors (Java et al., 2006).

Another incident that threatened Twitter's growth during Dorsey's tenure was a hacking incident, where VIP accounts were hacked and bitcoin ransom was demanded. This time Twitter was questioned for not being able to control the situation and protect the accounts and privacy of its users. Dorsey took immediate action to temporarily block the accounts and prevented the situation from escalating. Later the three hackers were identified. His ability to take quick action and protect Twitter and its users was well appreciated and further highlighted his dedication and determination to serve Twitter and its people.

Twitter under Evan Williams

Evan Williams was one of the trio co-founders of Twitter. He was excited by the idea of being an internet entrepreneur. He took over the role of CEO from Jack Dorsey in 2008 and served as the CEO of Twitter from 2008 to 2010, then he stepped down but remained on the board of directors till 2019.

His presence in the company did bring changes and new definitions to Twitter platform. He believed in never settling and had originally started the online publishing website, Blogger. Blogger was later bought by Google in the year 2003.

Post the purchase of Blogger by Google, he started with Odeo, a podcasting company in the year 2004. Biz Stone joined him at Odeo, in the year 2005. Evan had been considered a strong supporter and guide to Twitter and even after stepping down from the role of CEO, he continued to garner praise from his co-founders. Dorsey has been known to acknowledge that he learned decision making from Evan. On his part Evan tweeted that "*Jack and Biz have supported my crazy ideas and made them better and better*". His role in all the three ventures was that of a product strategist. Currently his net worth is \$1.8 billion as on 1st January 2023.

Twitter under Dick Costolo

Costolo was also an internet entrepreneur and had co-founded many ventures. When Evan was to go on paternity leave, he approached Costolo to fill the role of chief operating officer (COO). In 2011, he was promoted to CEO. Since 2009 he was given the task of making Twitter profitable, a daunting task given the prominence of Facebook, now Meta.

Under his leadership, Twitter went in for an IPO in 2013. He had to lead Twitter through some turbulent times and Yahoo finance even tagged him as 'one of the worst CEOs'. In the period after the IPO the share price went from \$13 to \$26 per share.

In his tenure many new products were introduced or acquired. In the year 2011, a new feature was added where videos and photos could be shared. In the year 2012, content preview was introduced. In the year 2013, they launched 'Vine' which allowed users to share looped videos of six seconds duration. In 2014, animated gifs were introduced in the Twitter platform. In 2015, they acquired Periscope app which allowed live streaming and the polling feature was added.

During his tenure, Twitter earned \$2.25 billion in revenue. He advised his business leaders to be thick skinned and not to take things personally. While handling a business, he believed that the focus must be the stakeholders who are constantly watching and judging the leaders. However, Costolo was not able to ensure performance on Wall Street and soon the board began to demand a change in the CEO. Dorsey was proposed as a successor and immediately the share price went up by 7%.

Twitter under Parag Agrawal

An IITian and PhD from Stanford university, Parag, is an Indo American who joined Twitter in 2011. Before that he worked with Microsoft, AT&T and Yahoo. His primary job was to focus on the advertising vertical of Twitter and also explore the application of artificial intelligence. He was passionate about his job and was named the Chief Technical Officer of Twitter in the year 2018. Those who have worked with him have complimented him and called him a diligent worker. Every assigned work was completed with full diligence.

He has been a chief driving force in the adoption of technology at Twitter and has been credited for the technology that the company uses today.

He admired the leadership style of Dorsey and was known to be a close confidante of the ex-CEO. In 2015, when Dorsey joined back as CEO, Parag congratulated and publicly messaged praise for him and expressed his belief that this phase would be extremely beneficial for Twitter.

In 2021, when Dorsey decided to step down, he announced the appointment of Parag as the next CEO. On 21st November 2021, Parag became the new CEO. He believed that in order to settle down and come out of the controversies, he would have to think like Dorsey. But the time was too short for him to bring back the glory. Parag was great in financial and technical skills but not a visionary and strategist.

When Elon Musk, who was by then an active user and also promoter of Twitter, decided to align with Donald Trump and others, Parag was not able to respond. When asked about

moderation policies and various political stances that users on Twitter were taking, Parag could not answer.

In the month of April 2022, Musk gave a proposal to buy Twitter at \$44 billion. Parag along with the employees were not happy with Musk's proposal, partly because the offer was made publicly. After a judgement from the court, and withdrawal of the offer by Musk, the valuation of Twitter jumped to 64% (\$53.7 share price). But Musk did not give up and targeted Parag in his tweets. Parag responded to those tweets on the platform itself. In the end, Parag was not able to save Twitter from Musk and his stint as CEO ended at 11 months, leaving Twitter in the hands of Musk.

Twitter under Elon Musk

This was an acquisition which made a history. Elon Musk began as one of the active users of Twitter. He voiced ideas and opinions and some of them were even accepted by the management because his ideas and views did make other Twitter members respond and react positively.

A believer in the freedom of speech, he started investing in Twitter quite early on. However, in 2022 he bought 9.1% ownership stake, which was the second highest share in Twitter. Twitter responded by offering Musk a place on the board of directors but he declined. In April 2022, he made an offer to Twitter to buy the firm at a price of \$44 billion or \$ 54.20 per share, which was not accepted by the board and the employees were also against the deal.

However, Jack Dorsey believed that Musk had the ability and foresight to take Twitter to the next level and publicly supported the deal. His strong support, swayed the shareholders and due to pressure from the shareholders, the board of directors had to agree to the offer. While finalising the deal, Musk had demanded a count of the chatbot accounts. Parag had provided the details but Musk believed the number was incorrect and decided to back out of the deal, stating a breach of contract. In response, Twitter filed a case against Musk forcing him to complete the deal.

The deal closed on 27th October 2022 and Musk tweeted “the bird is freed”. Musk entered the office of Twitter with a kitchen sink to mock the top members of the top management, who had expressed their opposition to the deal. He has been quoted as saying “Let that sink in”. See Figure 4.



Figure 4: Musk entering Twitter office

One of the first things that Musk did after buying the firm was that he fired several top executives including CEO Parag Agarwal and also laid off half of the company’s talent asset. Many others also resigned. Musk continued to face backlash from employees and customers.

The second big decision that Musk took was to dissolve the board of directors and make himself the sole director and CEO of Twitter. He established a war room at the office to discuss the future. Given the layoffs, many activist and civil rights group appealed to the advertisers to abandon Twitter, which led to Twitter reporting loss in revenues.

From day one, Musk used a number of modes to get what he wanted. Most of the modes were confrontational and depended on either threatening or firing. In 2021, Twitter was valued at \$5 billion and experts predict that the current worth would only be around \$1 billion. This led Musk to his third major decision. He recently tweeted about whether he should quit as CEO and an overwhelming 57.5 percent of users responded to the question with a yes (See Figure 5).



Figure 5: the poll tweeted by Musk

Twitter after Musk

Based on the answers to the poll, Elon Musk has decided to resign as the CEO of Twitter, the moment he finds someone, who in his own words, is “someone foolish enough to take the job!”. He plans to then take on running the servers and leave the business side to the new CEO. While the public statements have created some level of doubts about Musk’s capabilities as a leader, they provide a clear picture of what is going on in the organization. What should Twitter do next? Is it possible for Twitter to return from this leadership challenge? What sort of leader would be able to help Twitter regain at least some of its former glory? See Figure 6.



Figure 6: The tweet expressing intention to resign

Discussion Questions

1. How did Dorsey, Parag and Musk differ in their leadership styles?
2. Who do you think is a better leader among Dorsey, Parag and Musk?
3. What sort of leader does twitter require now?
4. Given your understanding of the leadership style of Musk, how do you feel the employees would have felt about their new leaders? Discuss.
5. What lessons you could derive from this case as a student of management?

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