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How Twitter Pushed its Stakeholders under the (Musk) Bus

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Editor's Note: **Lucian Bebchuk** is the James Barr Ames Professor of Law, Economics, and Finance and Director of the Program on Corporate Governance at Harvard Law School; **Kobi Kastiel** is Associate Professor of Law at Tel Aviv University, and Senior Fellow of the Harvard Law School Program on Corporate Governance; and **Anna Toniolo** is Postdoctoral Fellow at the Program on Corporate Governance of Harvard Law School. This post is based on their forthcoming essay, "How Twitter Pushed its Stakeholders under the Bus." Related research from the Program on Corporate Governance includes **The Illusory Promise of Stakeholder Governance** (discussed on the Forum **here**); **Will Corporations Deliver Value to All Stakeholders?** (discussed on the Forum **here**), by Lucian A. Bebchuk and Roberto Tallarita; **For Whom Corporate Leaders Bargain** (discussed on the Forum **here**); **Stakeholder Capitalism in the Time of COVID** (discussed on the Forum **here**); **Does Enlightened Shareholder Value Add Value?** (discussed on the Forum **here**), all by Lucian Bebchuk, Kobi Kastiel, and Roberto Tallarita; and **Corporate Response to the War in Ukraine: Stakeholder Governance or Stakeholder Pressure? (**discussed on the Forum **here**), by Anete Pajuste and Anna Toniolo.

Our forthcoming essay, "How Twitter Pushed its Stakeholders under the Bus," offers a case study of Elon Musk's Twitter acquisition. Given the strong current interest in this acquisition, we discuss, in this and subsequent posts, some of our findings and their implications for current debates on stakeholder capitalism.

An epic battle has been waged this year between Twitter and Elon Musk after Musk tried to get out of the acquisition agreement between them. Twitter won, and its shareholders and corporate leaders captured large financial gains as a result.

While the battle between these two sides has attracted massive media coverage, we believe that insufficient attention has been paid to another group that was expected to be affected by the deal – Twitter's "stakeholders" (that is, its non-shareholder constituencies). In particular, our analysis concludes that, notwithstanding their stakeholder rhetoric over the years, when negotiating the deal, Twitter's corporate leaders chose to push their stakeholders under the (Musk) bus.

That is not because Twitter's corporate leaders were pushed over by Musk. To the contrary, Twitter's leaders obtained from Musk, and fought hard to keep, large monetary gains for shareholders (a premium of about of $10 billion), as well as for the corporate leaders themselves (who together made a gain of over $1 billion from the deal). In exclusively focusing on these monetary gains, however, Twitter's leadership elected to disregard stakeholder interests.

Pushed under the bus were Twitter's employees, which the company fondly called "tweeps" over the years. Although Twitter has for long promised to care for its tweeps, Twitter's leaders did not attempt to look after, or even raise with Musk how the tweeps would be affected by the negotiated deal.

Instead, Twitter's leaders chose to allocate the very large monetary surplus produced by the deal entirely to shareholders and the leaders themselves. They chose not to use any part of this surplus to provide any monetary cushion to the tweeps who would lose their positions post-deal. To illustrate, allocating even 2% of the monetary gains that ultimately went to shareholders and corporate leaders to employee protection would have enabled providing a substantial monetary cushion to the about 50% of the tweeps who got the axe shortly after the deal's closing.

Notably, Twitter's leaders did not even hold negotiations or discussions with Musk to ensure that tweeps would learn of their lay-offs in a humane way rather than infer it after getting disconnected in the middle of night, or that the move away from the remote work environment to which Twitter expressed a commitment would be gradual rather than sudden.

Also pushed under the bus were the mission statements and core values to which Twitter's corporate leaders had long pledged allegiance. In negotiating the terms of the transaction, Twitter's corporate leaders did not negotiate with Musk for any constraints or even soft pledges with respect to maintaining such commitments post-deal. Twitter's leaders seem not to have even held discussions with Musk regarding his plans in this respect, as they told employees they had no information on these plans. Twitter's leaders elected to proceed in this way despite warning and indications that Musk could well abandon some or all of Twitter's strong pre-deal commitments.

Twitter had for long communicated commitments to having a mission and not just a profit goal, and to advancing values such as civic integrity, excluding hate speech, upholding human rights, and even supporting Ukraine in its defense against aggression. But these commitments seem to have received little attention or weight from Twitter's leaders when they negotiated the Musk deal.

Beyond the Twitter case, our findings have implications for the ongoing heated debate on stakeholder governance. In this connection, our findings support the view that the stakeholder rhetoric of corporate leaders is mostly for show and is not usually matched by actual choices (e.g., **Bebchuk and Tallarita (2020)**).

Our findings further suggest that corporate leaders selling their company cannot be expected to look after the interests of stakeholders. This is contrary to the predictions of the implicit promises and team-production theories of **Shleifer-Summers (1988)**, **Coffee (1988)**, and **Blair-Stout (1999)**, which have long been used as an argument for giving corporate leaders veto power over corporate acquisitions so that they can use this power to look after stakeholder interests.

Finally, our case study questions the view that attaches importance to corporate adoption of statements regarding mission, purpose, and core values (e.g., **Eccles & Youmans (2016)** and **Mayer** **(2019)**). Twitter was "long" on such statements for quite some time, but decidedly "short" on delivering on any of them.

Our analysis of the Twitter case study is consistent with the findings in earlier empirical work co-authored by two of us. This empirical work documented that corporate leaders focused on the interests of shareholders and corporate leaders themselves, and failed to negotiate for any stakeholder protections in two large samples of deals: (i) acquisitions of public companies during the COVID period in which stakeholder-regarding rhetoric was widely employed by corporate leaders (**Bebchuk, Kastiel, and Tallarita (2022)**); and (ii) acquisitions governed by state constituency statutes authorizing and requiring corporate leaders selling their company to take stakeholder interests into account (**Bebchuk, Kastiel, and Tallarita (2021)**). Complementing these studies, our current Twitter case study provides an especially vivid and powerful example of how corporate leaders in fact disregard stakeholders (and any pro-stakeholder prior rhetoric) when negotiating a sale of their company.

Because we are currently working on the subject, any comments would be most welcome.
