Elon Musk Case

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Case 2.3 ELON MUSK

When he was 12, Elon Musk created and sold his first product. That video game, *Blastar*, was the start of Musk's meteoric entrepreneurial career, which has seen him take on everything from electric cars to space travel to alternative energy.

Musk grew up in South Africa, the son of an engineer and a Canadian model. In grade school Musk was introverted and often bullied, but at 15 he learned how to defend himself with karate and wrestling. He moved to Canada at 17 to

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attend university and three years later left Canada to attend the University of Pennsylvania where he earned degrees in economics and physics. In 1995, only two days into a PhD program in energy physics at Stanford, Musk dropped out to launch his first company, Zip2, with his brother Kimbal. An online city guide, Zip2 provided content for websites of both the *New York Times* and the *Chicago Tribune*. Four years later, Compaq Computer Corporation bought Zip2 for $307 million.

The Musk brothers then founded X.com, an online financial services/payments company, which became PayPal. Three years later, eBay acquired PayPal for $1.5 billion.

Now a billionaire, Musk started Space Exploration Technologies Corporation, or SpaceX, in 2002 with the intention of building reusable spacecraft for commercial space travel. A year after launching SpaceX, Musk became the cofounder, CEO, and product architect at Tesla Motors, dedicated to producing affordable, mass-market electric cars as well as battery products and solar roofs. He also launched several other side projects, including establishment of The Boring Company devoted to boring and building underground tunnels to reduce street traffic, becoming cochair of the nonprofit research organization OpenAI with the mission of advancing digital intelligence to benefit humanity, and development of the Hyperloop to create a more expedient form of transportation between cities.

But unlike his earlier ventures, both SpaceX and Tesla had considerable challenges. In 2008, Musk was nearly out of money after SpaceX's Falcon 1 rocket, of which he was the chief designer, suffered three failed launches before it finally had a successful one. Meanwhile, Tesla was hitting speed bump after speed bump in the development of its vehicles, hemorrhaging money, and losing investor confidence as well as orders from customers who were unhappy with the long wait time to get their vehicles.

Musk faced these challenges the way he did as a bullied school kid: head on. "Leaders are . . . expected to work harder than those who report to them and always make sure that their needs are taken care of before yours, thus leading by example," he said (Jackson, 2017).

At SpaceX, Musk continued to innovate, and the company accomplished a stunning number of achievements including successfully having rockets land safely back on earth after launches, transporting supplies to the International Space Station, and developing a rocket that could carry heavier payloads. By 2019, SpaceX had 6,000-plus contracts, worth $12 billion, with NASA and other commercial satellite companies. The company, which says its ultimate mission is to foster interplanetary life, is planning a cargo mission to Mars in 2022 (Space Exploration Technologies Corp., 2020).

Many credit SpaceX's success to the unified culture at the company created by its fairly flat organizational structure and the fact that, despite its growth, the company still maintains a start-up mentality and feel.

"It's an incredible place to work," said one engineer. "There's a great sense of connectedness between everyone. Everyone's got the same goal in mind. Everyone's working super hard to deliver a product successfully. It's amazing when it all culminates in launch" (*Mind & Machine*, 2017).

Dolly Singh, the former head of human resources at SpaceX, said, "The thing that makes Elon Elon is his ability to make people believe in his vision" (Snow, 2015). Jim Cantrell, SpaceX's first engineer, added, "He is the smartest guy I've ever met, period. I know that sounds overblown. But I've met plenty of smart people, and I don't say that lightly. He's absolutely, frickin' amazing. I don't even think he sleeps" (Feloni, 2014).

But to turn Tesla around, Musk had to roll up his shirtsleeves. The company, which was four years behind on the production of its Model 3, was under severe public scrutiny from investors and industry analysts. After missing one deadline after another, Musk restructured the organization in April 2018 and took over as the head of engineering to personally oversee efforts in that division. In a 2018 Twitter post, Musk said that to meet production goals, it was time to "divide & conquer, so I'm back to sleeping at factory." By the end of June 2018, Tesla had met its goal of producing 5,000 Model 3 cars per week, while churning out another 2,000 Model S sedans and Model X SUVs (Sage & Rodriguez, 2018).

Musk has been described as an unconventional leader, even by Silicon Valley standards. He is a prolific tweeter in which he comments on everything from building cyborg dragons, to jokes about bankruptcy, to mixing Ambien with red wine (Davies, 2018). He has graced magazine covers and goes on talk shows and appeared on animated television shows *The Simpsons* and *South Park*. His peculiar sense of humor was on dramatic display when he launched his own red Tesla Roadster sports car into space atop the first SpaceX Falcon Heavy rocket. At the same time, some of his behavioral quirks have also become liabilities.

In a public earnings call with investors and financial analysts, Musk attacked two analysts for asking what he called "bonehead" and "dry" questions that he refused to answer, resulting in Tesla's stock value plunging 10% (Davies, 2018). When his efforts to assist in the rescue of 12 young soccer players and their coach from a flooded cave in Thailand were criticized as self-aggrandizing rather than serious, Musk responded with a tweet calling one of the divers involved in the rescue "pedo guy," insinuating he was a child molester (Levin, 2018).

In August 2018, Musk wrote on Twitter that he was considering taking Tesla private and that he had the necessary funding "secured" to do so. As a result,

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Tesla's stock price immediately shot up, gaining the attention of the Securities and Exchange Commission (SEC), which investigated and ultimately fined Musk $20 million. Less than two weeks after that episode, Musk gave an emotional interview with the *New York Times*, in which he alternately laughed and cried in a display that left many questioning his mental state and sent Tesla investors into sell mode with their stock (Crum, 2018).

Not long after that interview, Musk changed his mind and said Tesla would remain a public company. He followed that decision with an appearance on the *Joe Rogan Experience* podcast during which he smoked what was said to be a marijuana-laced cigarette (Davies, 2018).

"The reason Elon seems to attract drama is that he is so transparent, so open, in a way that can come back to bite him," his brother and Tesla board member Kimbal Musk told the *New York Times*. "He doesn't know how to do it differently. It's just who he is" (Gelles, 2018).

After all of the drama in 2018, there were many concerns about where Tesla would go in 2019. The answer? Tesla ended 2019 on a high note, with a record stock price topping out at more than $400 per share.

"It's been quite the turnaround for Musk since his 'funding secured' tweet debacle of last year," one analyst noted. "Tesla's stock has been one of the top performers of the second-half of the year and Musk is proof that you can take on the SEC, smoke weed on podcasts, call people pedo guy and still run a $70 billion company" (Crum, 2018).

Questions

1. How does Musk exhibit each of the major leadership traits (Table 2.2)? Which of these traits do you believe he is the strongest in? Is there one where he is weak?
2. Describe how Musk has exhibited each of the Big Five personality factors. Which of these factors do you think has the most correlation with Musk's success as a leader?
3. Shankman and Allen (2015) suggest that an emotionally intelligent leader is conscious of context, self, and others. How would you characterize Musk's emotional intelligence using these three facets?
4. If you were asked to design a leadership training program based on the trait approach, how could you incorporate the story of Elon Musk and his leadership? Around which of his traits would you structure your training? Are some of his leadership traits more teachable than others? Discuss.