

Twitter's Elon Musk and whistleblower drama is affecting its personnel—and advertising ambitions

Article

The news: Twitter, by its own admission, is seeing yet more employee turnover as it grapples with issues including whistleblower charges and a legal dispute with billionaire **Elon Musk**.

- Executives disclosed during a corporate meeting that employee churn is now 18.3%; before Musk launched his \$44 billion bid to purchase the business, management had said turnover was on par with competitors' 14%-16%. [We reported on Twitter shedding headcount last month.](#)
- The employee meeting took place the day after **Peiter "Mudge" Zatko**, the company's former head of security, said in a whistleblower complaint that Twitter had misled federal authorities about its defenses against spam accounts and hackers. On Wednesday, Twitter CEO **Parag Agrawal** told staff that Zatko's allegations were unfounded.

Musk leaves a stink: Many employees have left because of the instability surrounding the Musk takeover, existing staff told Reuters.

- The company's [poor Q2 performance](#) wasn't helped by the uncertainty.
- Twitter has an October court date after [suing Musk](#) for trying to break the buyout deal.
- Zatko's accusations were brought up at a hearing in Delaware on Wednesday to decide if Twitter must provide Musk with data he can use to refute the platform's estimations of fake accounts. Musk attorney Alex Spiro told the judge that the former security executive had said management was not interested in measuring bots.

Brand-safe or brand danger? In light of Twitter's feud with Musk, Zatko's allegations have added new uncertainties for advertisers who are worried about brand safety and bot activity.

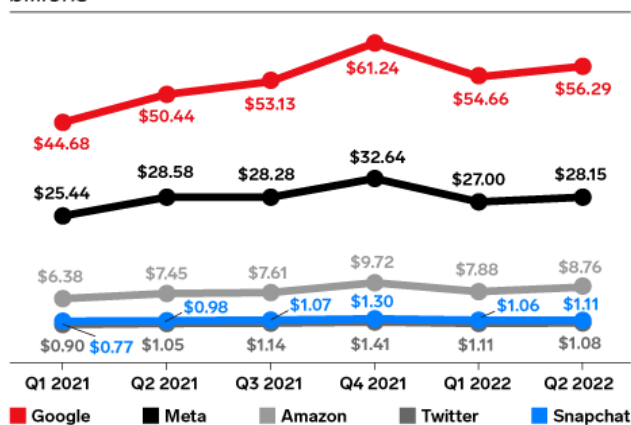
- Advertisers are concerned that Twitter's work on critical issues, like developing safety controls that may prevent brand ads from appearing alongside harmful content, is being stalled by the Musk drama.
- The platform is stuck in the earliest stages of a Media Rating Council (MRC) examination of its brand safety guidelines, which began more than a year ago and hasn't progressed.
- MRC accreditation is important, since it can verify that a service has guardrails that prohibit brands from being displayed near objectionable material like hate speech and adult content. The MRC also examines legitimate traffic and ad viewability requirements, two issues that Musk has brought up in his criticism of Twitter.

Why it matters: Focus is what Twitter needs to succeed. Agrawal admitted as much in Wednesday's meeting. And that's why leadership shelved some of the platform's newer initiatives, including [podcasts](#), [social audio](#), [newsletters](#), and [communities](#), in June.

- The problem is Twitter's margin for error here is pretty darn small. Twitter Blue, the company's subscription product, hasn't taken off the way Snapchat+ has.
- Recent product updates, like Location Spotlight and the planned verified phone number feature, are nice but underwhelming.
- Given Twitter's relative openness compared with other platforms, brands frequently use it to measure consumer sentiment—which can be manipulated by bots.
- The bots drama is concerning, as a platform's overall health can be inferred by how it handles spam. If a platform has a bad reputation for handling bots, it can't help advertisers' decision on whether or not to spend there.

Digital Ad Revenues Worldwide, by Company, Q1 2021-Q2 2022

billions



Source: company reports; Insider Intelligence calculations, Aug 8, 2022

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The big takeaway: There are storm clouds floating over Twitter.

- Twitter has less cash on hand than other platforms, so it can't spend its way out of its current woes.
- While Twitter won't backfill all of the roles left open, it'll need to replace many of those—and that costs firms one-half to two times a departing employee's salary, per Gallup.
- The Musk and Zatko distractions come at the worst time for Twitter, which is already playing from behind—and now it'll have lost six to 12 months of focus.