

## ATLAS SNUBBED. THE CRISIS OF ELON MUSK'S LEGEND AND TESLA'S INCREASING TROUBLES

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Elon Musk agreed to step down as Tesla's chairman last weekend of September 2018. Thus, he fulfilled the condition of settlement with Securities and Exchange Commission (SEC) that had opened the investigation against Musk over his tweets regarding de-listing of the company's securities. Yet, loss of the chairman position is another blow which the controversial billionaire has to face. This series of misfortune cast a shadow over the legend of a genius entrepreneur and his electro mobile mega-project.

### **Swinging on Twitter and the Exchange**

At the beginning of August 2018, in just over a dozen hours, the value of Tesla shares increased by almost \$40. And all of this thanks to one tweet by Elon Musk. He wrote that he is considering withdrawing the company from the stock exchange by buying shares for a substantial amount of \$ 420 each.

The transaction was to involve an investment fund (the so-called sovereign fund) from Saudi Arabia. Musk admitted that talks with Saudi people in this matter have been going on since 2017. 'Such an agreement may be concluded, this entity has enough resources to secure the transaction' - he admitted.

However, nothing came out of the proposal. Musk, withdrawing his plans, confirmed this new course of action results from talks to shareholders. What is interesting, dictate of investor was the burden Musk had intended to get rid of by taking Tesla private. Nevertheless, the case attracted the SEC's attention. After the investigation, the SEC filed a lawsuit against Musk, accusing him of fraud to raise Tesla's value artificially. The billionaire was initially thinking of going to court, yet last weekend of September he decided to settle the claim.

It is worth mentioning that, according to the settlement, Musk does not say goodbye to Tesla. He will remain on as the company's CEO but step down as Tesla's chairman for at least three years. In addition, the electric carmaker will appoint two additional independent members to its board and pay a fine of \$20 mln.

But it is not a new situation for Musk. While working on his first serious undertaking Zip2, he struggled to take its CEO position. At that time, however, the management board did not approve his nomination. On the other hand, in 2000 he was removed from the CEO post due to his conflict with rest of the management. Now the SEC settlement may be seen as just another problem of Musk and his electro mobile child.

### **A series of unfortunate events**

Musk's fate was in the balance already in June 2018, when media were speculating about his possible dismissal. All due to the fact that some investors had accused the billionaire (and three of directors linked to Musk, including his brother Kimbal) of worsening situation of the company. What is important, Tesla faced culmination of long series of accidents in May. Between January and May 2018, a few incidents involving Musk's electric cars took place. In the most tragic accident of March, 23, the driver of the car operating on Autopilot, was killed. The software failed and introduced vehicle to the conflict route. In the same month, 4 more accidents with Tesla's cars occurred. Moreover, during this long series of collisions, American organisation Consumer Reports reported on braking problem with Model 3. Tesla undermined results of the tests and suggested that stopping distance depends on many various factors. However, at the end of May Elon Musk announced publication of updated firmware which is believed to shorten stopping distance in Model 3 by about 6 meters.

Tesla may have legal problems, too. According to Polish business website 'Puls Biznesu', Nikola accused Musk's company of copying some of the elements of Nikola One truck and using them in Tesla Semi vehicle.

Yet, the most serious difficulties are these of financial nature. The company may need \$10 billion in next 18 months to meet production targets, Goldman Sachs reported. This probably means issuing bonds since the company's needs cannot be fulfilled by its profits - Tesla has repeatedly generated a loss, consuming money acquired from investors. Meanwhile, its clients complain about long delays of supply of cars. Musk himself has recently said the company is now in 'delivery logistic hell'.

In view of the deteriorating situation, two important employees - Chief Accounting Officer Dave Morton and Head of Human Resources Gabrielle Toledano - left Tesla.

### **Fall of Icarus**

Tesla's troubles were perceived as a personal fault of the company's chairman. During June's turmoil regarding Musk's position in Tesla, investor Jing Zhao demanded removing Musk from the office. The main point was Musk did not commit sufficient time to perform his functions in the company. Taking into account billionaire's involvement in other businesses like SpaceX, the accusation seems to be reasonable. What is more, some of the media criticised Musk for spending too much time on Twitter, arguing with journalists and undermining their credibility. Inspired by the arguments, he hit on the idea of creating a website assessing media's reliability under 'PravDuh' name (a reference to a popular Soviet propaganda newspaper).

Many commentators see Musk's involvement in social media as a sign of too high stress and pressure under which the controversial billionaire has lived. The best evidence may be his issue with British cave diver Vernon Unsworth who was called a paedophile by Musk on Twitter. It was billionaire's reaction on Unsworth's rejection of Musk's offer of a mini-submarine created by his rocket company SpaceX to rescue Thai soccer players and coach from a flooded cave, the action Unsworth took part in. The diver called Musk's attempt a 'PR stunt'. He also sued the billionaire for \$ 75 000.

A lot of people living under so high pressure fall victims of addictions. That is why, among other things, Musk is suspected of misusing some substances, especially marijuana. Speculations are stirred up by the billionaire himself, who blazed a joint in Joe Rogan's comic TV program. According to the media, price proposed by Musk for Tesla's share, \$420 apiece, is an allusion to the slang of marijuana users (specifically, to '420 blaze it'). There are even suggestions that tweet on taking Tesla private was written by Musk under influence. On the other hand, in 2017 the billionaire suggested on Twitter he takes ambien, a sleep-inducing drug which, when misused, may cause hallucinations, sleepwalk and depression.

## The hero we need

Elon Musk's problems have negatively influenced his legend. The billionaire has indeed built a cult and is currently followed by thousands of fans around the world who see genius leading humanity towards modernity and prosperity. For many people Musk is like Hank Rearden from Ayn Rand's *'Atlas Shrugged'* - devotees of the eccentric entrepreneur perceive him as an indefatigable visionary, completely committed to his projects. In reality of downfall of moral authorities and change of paradigms, Elon Musk becomes one of the last idealists.

'No gods or kings - only man', the motto that is presented at the entrance to fictional city Rapture, a scenery of BioShock game, based on Rand's philosophy. The slogan, being the very essence of Rand's objectivism, ideally suits Musk's style of management. He tolerated no supervision - neither from his investors, nor co-workers. An attentive observer of billionaire's life could come to a conclusion that Musk as well did not recognise laws of biology - he was pushing himself to his limits, working 120 hours a week. In an interview he admitted spending his 47<sup>th</sup> birthday at work.

His attitude induced Arianna Huffington, founder of The Huffington Post, to write an open letter in which she persuaded Musk to change his lifestyle. 'The future of Tesla depends on you coming up with your masterpiece', she wrote.

However, his duty is much more. He carries on his shoulders his own cult, image of his undertakings and ideals he was instilling to his fans. Irresponsible management of all these assets may push Musk - and his inventions - towards spectacular fall.