



TESLA

STRATEGIC MANAGEMENT ANALYSIS

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Introduction

Greetings!

We are pleased to share our strategic management analysis of Tesla Motors, an inspiring company with a bold vision: to “accelerate the world’s transition to sustainable energy” (Tesla, n.d.).

In this report, we provide an in-depth picture of Tesla’s operations, followed by a comprehensive analysis of the landscape Tesla faces at present. We conclude with several strategic recommendations for Tesla.

We enjoyed working together to understand this complex and exciting company. We all brought strong ideas to the table and negotiated to form a common vision. We learned to apply management principles to a real-world case, and also built more appreciation for the tremendous good a business can do under principled leadership.

— Team Six

Dhruv Parekh



Tesla’s Corporate Social Responsibility is what I admire.

Sheryl (Qianru) Wang



I am now a big fan of Tesla.

Manas Thakre



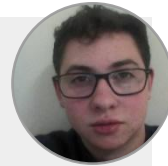
We got to know a true leader.

Shiyi Luo



Cool company, cool CEO, cool cars!

Jacob Kovacs



Who knew a car company could be so interesting?

Vaibhavi Rangarajan



Tesla shows it’s possible to dream big and achieve those goals.



Who is Tesla Motors?

An in-depth portrait of the company

Snapshot

Tesla Motors, Inc. is an American automaker under the leadership of Elon Musk. The company marked its entry into the automotive market with the **Roadster** sportscar, a completely battery-powered vehicle. The company developed its own power storage technology in the form of lithium-ion batteries for the Roadster, and it became the first-ever car that can go up to 200 miles on the strength of a single charge. Tesla launched the **Model S** luxury sedan in 2012, which earned a five star safety rating and went on to become world's best selling plugin vehicle by 2015 (Baer, 2014). As of November 2016, 150,000 units of the Tesla Model S have been sold worldwide, and the mass-market **Model 3** is expected in 2018 (Hanley, 2015). Tesla also has a chain of **Supercharger stations** across the United States, parts of Europe, and Australia, where the cars can be charged by their owners at no cost; chargers in the network have the ability to give a 60% battery boost in just 20 minutes (Tesla, n.d.).

In April 2015, Tesla also announced its residential and commercial power solutions—Powerwalls and Powerpacks (Riley, 2015).

As of today, Tesla **manufactures** the majority of its cars in Fremont, California, with another assembly location in the Netherlands to serve the European market. In 2014, Tesla announced its massive plans to build its own **Gigafactory** in Nevada for the production of car batteries and other power solutions. The Gigafactory is under construction with a \$5 billion investment jointly made by Tesla and Panasonic. Once fully operational, the facility will be able to produce 36 GWh of clean electricity to charge the batteries that will eventually be used in cars, Powerpacks and Powerwalls (Tesla, n.d.).

Model S



Model X



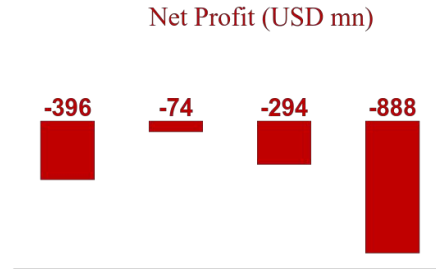
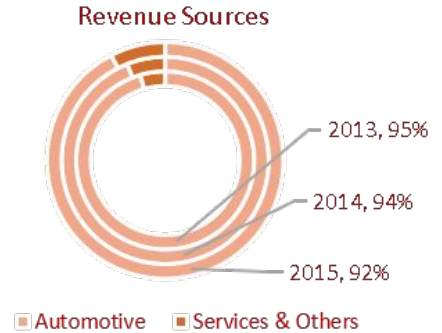
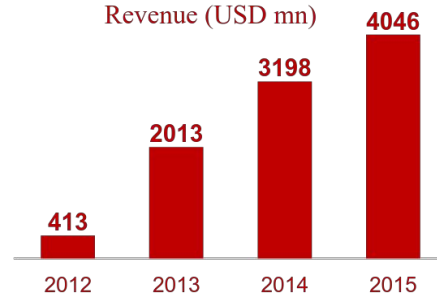
Model 3 (expected 2018)

“We’re running the most dangerous experiment in history right now, which is to see how much carbon dioxide the atmosphere can handle before there is an environmental catastrophe.”

— *Elon Musk*

Snapshot

Tesla Motors has shown a ten times **revenue** increase from 2012 to 2015, mostly owing to the commercial success of its Model S. However, due to increasing investments in manufacturing and retail stores, the company has yet to show positive results in terms of net profits, and has raked in losses the past 4 years with **net losses** amounting to \$88 million in 2015 (Tesla, n.d.). Despite these short-term financial losses, shareholders have shown increasing interest in Tesla, with **share price** and company valuation increasing tremendously since the company went public in 2010 (Squatriglia, 2010; Tesla, n.d.). As of today, Tesla has a market capitalization of about \$31 billion, more than half of Ford Motors (Tesla, n.d.). Tesla Motors also got a significant push from US authorities in recognition of its effort to make large-scale production of non-polluting electric vehicles a reality; this was majorly in forms of tax credits to the company, with an estimated \$2.4 billion of future incentives awaiting Tesla for its Gigafactory project (Tesla, n.d.).

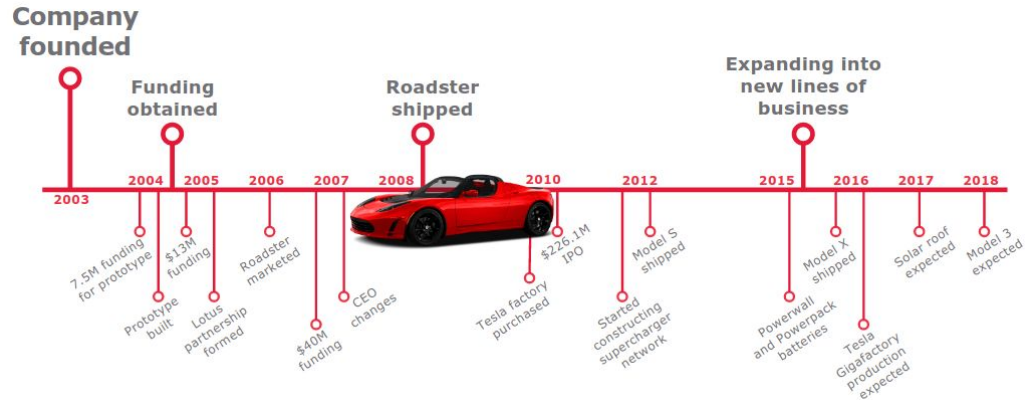


History

Tesla was founded in 2003 by two engineers, Martin Eberhard and Marc Tarpenning (Baer, 2014). Fresh from a divorce, Eberhard went looking for a sports car but found none that were climate friendly. He also noticed that battery technology had advanced enough that a high-performance electric sports car was *possible*—and, since the giants of the 100-year old automotive industry had outsourced the bulk of their production in pursuit of the ideal of **dynamic core competencies** (Hitt, Haynes, and Serpa, 2010), Tesla could just tap into existing supply chains instead of engineering every component of a car. Eberhard persuaded Tarpenning that there was a market for a powerful, stunningly-designed clean energy vehicle, thus launching Tesla with a **focused differentiation strategy** (Jones and George, 2012).

Tesla had several rounds of startup funding before its IPO. Elon Musk was their first major investor, and eventually took over as CEO in 2007—right before Tesla shipped its first commercial product,

the Roadster. Under Musk’s leadership, Tesla has gone beyond cars to design a whole ecosystem of alternative energy products that gain much of their appeal from the way they **fit together** (Stewart, 2016). For example, Tesla sells solar roofing that charges a home battery that charges an electric car, virtually eliminating home-based carbon emissions. Tesla is also trying to expand into the **midmarket** next year with the Model 3.



Baer, 2014; Riley, 2015; Stewart, 2016; Squatriglia, 2010

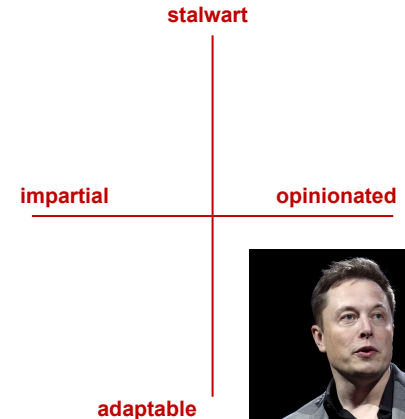
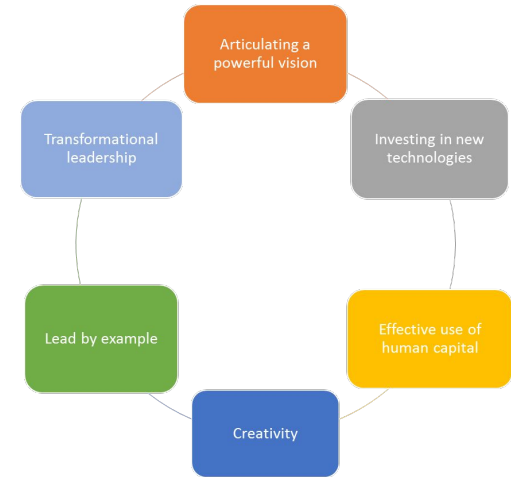
“I was thinking I should do what every guy does and buy a sports car ...”

— Martin Eberhard

Leadership Traits: Elon Musk

Tesla CEO Elon Musk has a clear **vision** of accelerating the world towards sustainable sources of energy. This vision is clearly reflected in all the work he does, whether at Tesla Motors or the other companies he leads—like SolarCity (recently merged with Tesla; Stewart, 2016) and SpaceX. To evolve and contribute towards the mainstream usage of sustainable energy, Musk has been the central force developing **cutting-edge technologies** by employing the best minds in the field. He has heavily invested **human capital** and money into developing these in-house technologies, whether it is high-efficiency cars or establishment of the Tesla Gigafactory. Musk **leads by example**: he has created several companies that showcase success in such a short time that he is definitely among the top leaders in the world. Musk's **creativity** and **transformational leadership** has played a pivotal role in the success and progress of Tesla, which is now seen as the world's most prominent brand in the automotive industry.

Elon Musk's leadership traits are a mix of opinionated and adaptable leaders, putting him in the quadrant of the most successful and continuously innovating leaders like Steve Jobs. While he has a strong persona reflecting his opinions, he is adaptable in nature and ready to accept the many failures in the process of innovation—which is the most significant trait of transformational leadership.



Leadership

Musk's **communication style** has been described as authentic, down-to-earth, and exceptionally clear, with four times more use of the present tense than average (Goldberger, n.d.; Crabtree, 2016; Schwartz, 2016). These traits help him rally people behind a very bold vision and **motivate** them to pursue it. His aggressive focus, though, can make him conflict-prone, blind to his employees' hard work, and defensive against complaints instead of learning from them (Vance, 2015; Newcomb, 2016).

One apparent consequence of Musk's style is perpetual **senior leadership turnover** (Morrison, 2008; Volecker, 2009; Shall, 2016; Lambert, 2016; Korosec, 2016, "Model 3 event"; Korosec, 2016, "Tesla loses"; see sidebar). Such turnover is costly (Lucas, 2013) for reasons including training costs, lost knowledge, and potential negative morale.

As another consequence, employee reviews are frank about the **long hours and poor work-life balance**—though they overwhelmingly state that the company's mission makes the personal sacrifice worthwhile (Glassdoor.com, n.d.; Indeed.com, n.d.;

Jones, 2016). Meanwhile, after reports of low contractor pay, UAW is attempting to unionize production workers (Bloomberg View, 2016).

Tensions have also come to the surface in Tesla's **supply chain**. As a newcomer to the intricacies of automotive manufacturing, Tesla depends on suppliers to build its cars. In fact, Tesla and would never have come into existence at as a company without Eberhard, Tarpenning, and Musk's diplomatic in-person efforts to persuade potential suppliers (Baer, 2014). Recently, some suppliers have struggled to meet Musk's purposefully optimistic production targets, and the company Mobileye ended its relationship with Tesla by publicly citing its concerns that Tesla's deadlines posed a safety risk (Rosevear, 2016).

“Even by the turbulent standards of Silicon Valley's venture-funded startups, Telsa [has] garnered more than its share of attention for missteps, multiple CEOs, layoffs, and lawsuits ... ”

(Voelcker, 2009)

	2008
Martin Eberhard, founder	
Marc Tarpenning, founder	
Daryll Siry, chief of marketing	
	2009
Michael van der Sanda, chief of marketing	
Michael Donoughe, chief vehicle engineer	
	2010
	2011
	2012
Ricardo Reyes, VP global communications	
	2013
	2014
Simon Sproule, head of comms. department left	
	2015
	2016
Michael Zaroni, VP finance	
James Chen, VP regulatory affairs	
Josh Ensign, VP manufacturing	
Greg Reichow, VP production	

TESLA'S SENIOR LEADERSHIP EXODUS

Organizational Structure

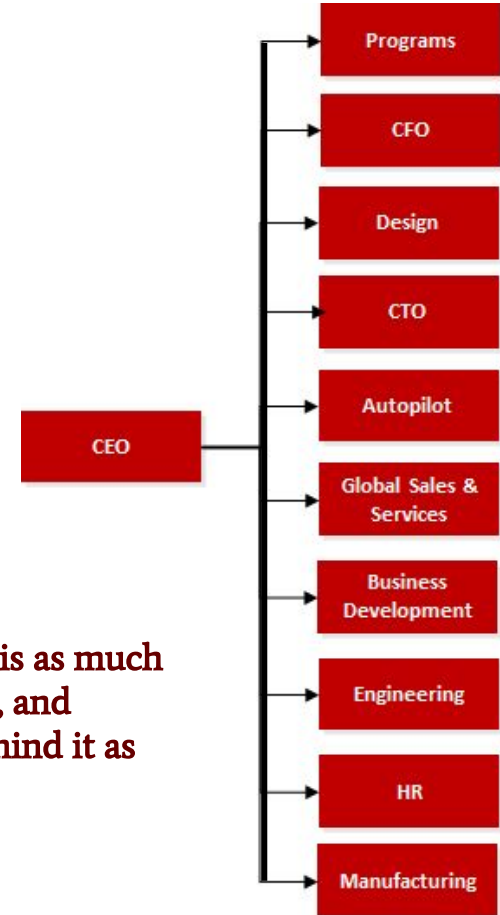
Tesla has a **functional form** of organizational structure that enables it to exercise strong control of the business (Meyer, 2016, “Structure”). The various functional departments are Human Resources, Business Development, Engineering, Processes and Autopilot, Manufacturing, Design Through, Global Sales and Services (see sidebar). Through this structure, Tesla is able to maximize its ability to implement new strategies and manage its operational activities.

Tesla also maintains **minimal regional divisions**, specifically four: the USA, Norway, China, and a catch-all division for operations in other locations. These divisions allow Tesla to tailor their strategies, marketing campaigns, and financial reporting to different geographies with different customer populations and legal requirements.

Despite maintaining regional divisions, Tesla’s emphasis of **global centralization** means that their entire organization is controlled through decisions that a central group or team generates. Tesla’s central headquarters includes the head of each office of its **global hierarchy**; the company does not support autonomy of its regional or overseas offices. Instead, Tesla’s headquarter makes the majority of operational decisions for overseas operations.

“Starting and growing a business is as much about the innovation, drive, and determination of the people behind it as the product they sell.”

— *Elon Musk*



Organizational Culture

Tesla's organization structure is one of the key factors that influences its culture. The six core features of Tesla's culture (Meyer, 2016; see below) contribute to making Tesla a **learning organization** that is able to surmount a turbulent business environment (Jones and George, 2016).

Think like owners
We are ALL IN
Do the impossible
Reason from 'first principles'
Constantly innovate
Move fast

Core features of Tesla's organizational culture (Meyer, 2016).

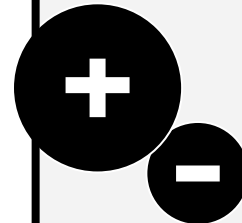
As a learning organization, Tesla believes in **personal mastery** ("Think like owners"); employees are encouraged to think out of the box and bring innovative ideas ("Constantly innovate"). The company tries to reward innovative employee contributions.

Because of strong executive leadership, Tesla employees **share a common vision** ("Do the impossible") that unifies them and reduces conflicts. The global scope of this vision is an example of bold **systems thinking**, and, in addition, Tesla managers encourage their employees to use **complex mental models** ("Reason from 'first principles'") to find the root cause of issues and respond to problems very quickly and effectively ("Move fast"). Tesla has training programs to orient its human resources to this feature of its organizational culture.

Finally, from its roots in Silicon Valley's software development culture and practices (High, 2014), Tesla places a high value on **team learning** and effective teamwork ("We are ALL IN").

TESLA'S CULTURE PROS & CONS

- + Open and direct communication
- + Highly innovative products
- + Employees unafraid to take risks
- + Rapid, responsive problem solving
- + Suitable rewards for employees



- Pressure of innovation
- Employee burn-out
- Poor work-life balance

Innovation

Integrative innovation is part of the fabric of Tesla's culture; in 2016, Forbes Magazine (n.d.) rated it the **World's Most Innovative Company**. The following aspects of Tesla's culture, structure and daily work are what makes it different (Nielson, 2016):

- Tesla has idealistic goals of a greener planet. The company approaches this **vision** by integrating decades of sustainable energy research in many fields into a viable form.
 - Tesla makes unique **products**—like connected cars that have self-driving abilities, can be upgraded over the air or monitored via phone, and charge for free on the nationwide Tesla Supercharger network.
 - Tesla is known for placing **risky bets** on technology and itself. After all, it is a startup in the over 100 years old automotive industry. Employees are encouraged to set stretch goals in keeping with the informal Musk Doctrine: “Never set a deadline you are likely to keep”.
- Tesla treats its **competitors**—traditional auto companies—as potential allies, and formed strategic alliances early for its battery recycling program. Tesla also “models the way” with open patents, as Elon Musk believes that such knowledge should be shared widely for the common good.
 - Tesla's **business strategies** are a unique case study in themselves. No other auto company takes capital from customers upfront before building the car. Tesla also focuses on engineering and design over marketing. Finally, their decision to retail directly customers has upended the traditional dealership- based automotive supply chain. With such innovation, for the first time in automotive history a vehicle has been created whose price can appreciate over time.

INNOVATION AT TESLA MOTORS



*Mission
and Vision*



*Products
and Services*



*Appetite
for Risk*



*View of
competitors*



*Business
Practices*

“Failure IS an option here. If things are not failing, you are not innovating enough.”

— *Elon Musk*

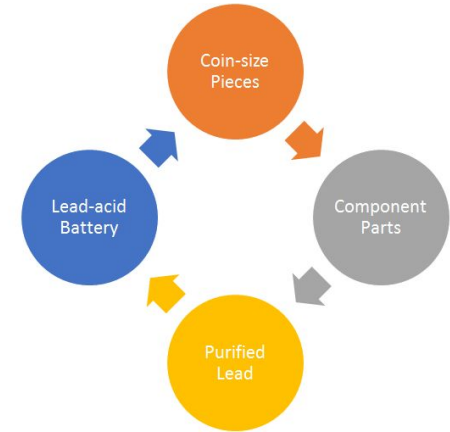
Corporate Social Responsibility

Tesla Motors can be characterized as a company that takes a **proactive approach** (Jones and George, 2016) its social responsibilities. Tesla is at the forefront of several pressing social causes. Thus far its short life as a company can be divided into two stages: environmental protection, and energy conservation.

From 2003 to 2015, Tesla included the responsibility of **environmental protection** in its organizational strategies. In addition to lessening the dependence of transportation on petroleum and manufacturing its own electric vehicles with zero emissions, Tesla also instituted a closed loop for battery recycling to make its production process more environmentally friendly (Kelty, 2011). This recycling loop takes used lead-acid batteries, separates them into coin-sized component parts, then sorts, re-processes and finally reuses the purified lead in battery manufacturing. The recycling program has valuable outcomes in terms of environmental protection.

It has enabled Tesla to completely reuse its recycled battery packs, only 10% of which could be used before instituting the program; it has reduced the amount of batteries that go to landfill; and, by using a new recycling technology provided by Umicore, it has reduced at least 70% of the normal CO² emissions from the refining process.

In 2015, as Tesla realized the importance of **energy conservation** to protecting the environment, it stepped into a second stage and directed its strategies toward new energy development. Tesla chose not to limit its vision in applying new energy in auto market; rather, it plans to create a suite of integrated products that provide clean energy to residential, commercial, *and* industrial markets.



Tesla's closed loop battery recycling process (Kelty, 2011).

“If something is important enough, even if the odds are against you, you should still do it.”

— *Elon Musk*

Corporate Social Responsibility

Tesla's energy conservation stage started by bringing solar power into people's daily life with the **Powerwall**, a rechargeable lithium-ion battery product that stores and provides electricity to homes and small businesses (Riley, 2015). With the Powerwall, people could sustainably use solar power: they store the surplus electricity produced by the solar panel system during a sunny day, and use it at night or in a rainy day when there is not enough electricity generated. After that, Tesla unveiled another energy product—the **Solar Roof**—that works directly with the Powerwall to collect solar power and convert it to electricity. Moreover, in order to deepen its expertise in the energy field, Tesla purchased **SolarCity** in November (Stewart, 2016) and consequently strengthened its capability to integrate electric vehicles, Powerwall, and Solar Roofing in an end-to-end energy plan. It has proposed very specific details in the plan, including embedding the solar panel system in walls by taking advantage of Tesla's manufacturing strength. When Tesla's idea is realized, humans will move a major step forward towards independence from fossil fuel.

An **important lesson** we learn from Tesla is how it perfectly combines organizational development and implementation of social responsibilities. When focusing on electric vehicles manufacturing, Tesla combines the responsibility for decreasing environmental pollution with its strategy of expanding market share in the automotive industry. It aims at developing cars with more outstanding performances than gasoline cars, in order to encourage customers to purchase great cars that happen to be electric. In this way, its market share increases and emissions from gasoline cars are reduced simultaneously. And, after entering the energy industry, Tesla has developed an integrative product chain that could greatly increase its profit margins while, at the same time, providing society with a conveniently packaged way to utilize solar power.



Social Role

Tesla is an excellent example of the potential for a company to have a major impact on society by tackling ambitious problems.

As a pioneer in the automotive industry, Tesla is very strictly focused on **innovation** to the extent that it ignores short-term losses and often misses product launch deadlines. It has even worked to improve seemingly less needed technologies—for instance, autonomous falcon wing doors—to appeal to customer desires for convenience and breathtakingly well-designed products. CEO Elon Musk is often criticized for decreasing the profit margin by spending an overwhelming amount of costs on R&D (AmigoBulls, n.d.). According to the newest statistic, Tesla's expenses on R&D has surpassed 200 million dollars in the third quarter of 2016, which represents 10% of its quarterly revenue and one third of its gross profit (AmigoBulls, n.d.). Nevertheless, with its heavy investment, Tesla has acquired unparalleled strengths in both quantity and quality of

technological innovation in charging and energy storage. According to FreshPatents (n.d.), Tesla has applied for over 200 patents between 2010 and 2016, almost all of which depends on the efforts of its R&D teams. Tesla's innovation is recognized by the public, as well as being named the number one Innovative Company by Forbes in 2015 and 2016.

In addition to promote innovation inside the organization, Tesla also contributes to innovation in the entire industry. In 2014, Tesla announced that it would make its **patents 'open source'** by sharing them with its peers and promising not to initiate patent lawsuit against anyone who wants to use their technology (Musk, 2014). Musk recognized that there is only a tiny proportion of electric vehicles in the automotive market, while the enormous amount of gasoline cars flooding into the market year after year has become the largest barrier to developing transport independent from fossil fuels and reducing carbon emissions.

Musk attributed the low market share of electric vehicles to closed patents that hold back and limit innovation (Masnick, 2015). Therefore, Tesla hopes to move barriers that lie in front of startup peers who have been struggling to innovate technology and establish a quickly-evolving platform of technologies in order to encourage and compel industrial development. Tesla also hopes to promote the involvement of more traditional automotive manufacturers in the electric vehicle market.

**“Tesla is not just an automaker,
but also a technology and design company
with a focus on energy innovation.”**

— “About Tesla” (n.d.)

IT Strategy

Not only does Tesla bring a software development mindset to the car industry, but there are also strong arguments to be made for calling Tesla itself an Information Technology (IT) company (High, 2014). First, information systems (IS) are routinely used in many core areas (see sidebar):

- Requirement Management Systems (RMS) and Enterprise Resource Planning (ERP) Systems are used for **planning** and controlling functions.
- Asset Management & Facility Management Systems are used to efficiently run factories and **manufacture** the cars.
- Tesla **retails** its products through an online store supported by an E-commerce System.
- Tesla's **products** themselves have embedded IT. Geographical Information Systems (GIS) and Product Data Management Systems (PDMS) are used to enrich the customer experience and create a feedback loop, and PDMS enables over-the-air updates to the cars' software.

When it comes to IT, the **core principles** that drive Tesla's strategy as told by the ex-CIO, Jay Vijayan (High, 2014) are:

Speed and Agility	Information Flow across Departments
Closed Feedback Loop with Customers	Seamless Vertical Integration

Just like most automakers, Tesla relies on vendor software like FlexNet, Enovia, and Catia for modeling and manufacturing cars. However, when vendors couldn't provide an ERP solution to integrate their store, manufacturing and retail operations, a team of 25 engineers led by Jay Vijayan built the system from scratch within *four* months. This impressive example of a **build versus buy approach** to IT is indicative of Tesla's flexibility, capability and commitment towards goals.

A LOOK AT TESLA'S INFORMATION SYSTEMS



Requirements Management System (RMS)



Enterprise Resource Planning (ERP)



Asset Management System



Facility Management System



Geographical Information System (GIS)



Product Data Management (PDMS)



E-commerce System



Strategic Management Analysis:

A review of Tesla's challenges and opportunities

PESTEL Analysis

POLITICAL Tesla has an opportunity to strengthen its financial performance through incentives from governments. Expanding free trade agreements open opportunities for Tesla to grow its operations internationally. Tesla is expected to increase their sales in environmentally friendly countries like Norway, as these countries' governments provide more incentives to encourage Tesla to sell more cars there.

ECONOMIC Tesla's business performance benefits from lower battery costs (Kissinger, 2016). The affordability of the company's electric automobile products will decrease manufacturing costs and increase profitability. In relation, the decreasing renewable energy costs make Tesla's products more attractive, considering that their business improves as renewable energy solutions become more popular.

SOCIAL Tesla has growth opportunities based on the rising popularity of low-carbon lifestyles and increasing preference for renewable energy (Kissinger, 2016). Moreover, Tesla has great potential to boost its financial performance because of higher customer purchasing power in developing and developed countries.

TECHNOLOGICAL The high rate of technological change presents opportunity for Tesla to enhance its products' technologies accordingly (Kissinger, 2016). However, the increasing popularity of online B2B platforms and marketplaces have also given increased opportunities to the car industry that, in turn, have increased efficiencies and reduced costs.

ENVIRONMENTAL As awareness and support for environmentalism increased, the company has opportunities to promote its electric vehicles based on concerns on climate change, energy saving programs, and rising standards for waste disposal (Kissinger, 2016).



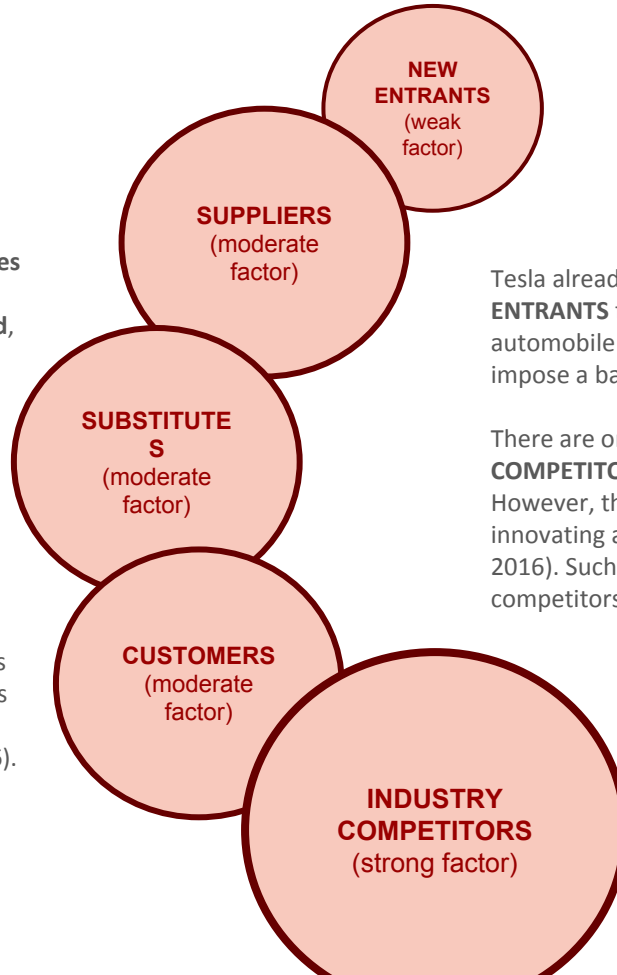
LEGAL Tesla has opportunities to safely grow its business overseas, considering expansions in international patent law; free trade protocols also help Tesla to emerge in international markets. However, dealership regulations are causing problems as Tesla expands the domestic market (Kissinger, 2016).

Porter Five Forces Analysis

Tesla's **SUPPLIERS** have a low level of forward integration. This external factor refers to suppliers' limited control in the distribution and sale of their products. For example, some suppliers **use third parties** to sell their materials to Tesla (Kissinger, 2016). In addition, most of these suppliers are **moderately sized**, thereby having limited influence on the automotive industry environment.

The **moderate availability** of **SUBSTITUTES** limits the influence of suppliers. In relation, many substitutes have only a moderate level of performance in satisfying customers' practical needs, thereby further limiting the threat of this factor against Tesla.

In general, cars have **low switching costs** which means that **BUYERS** have considerable bargaining power. This factor is ameliorated by the fact that each customer buys and keeps only one or a few cars (Kissinger, 2016).



Tesla already has a **strong brand** that **NEW ENTRANTS** find difficult to match. In addition, automobile manufacturing has high costs, which impose a barrier to new firms.

There are only a small number of significant **COMPETITORS** operating in the automotive market. However, these firms are generally aggressive in innovating and promoting their products (Kissinger, 2016). Such conditions strengthen the effects of competitors against Tesla.

SWOT Analysis

STRENGTHS

- **Outstanding leader:** Elon Musk is CEO of other successful companies, which means Tesla can borrow ideas from its sibling SpaceX—including extensive use of aluminum in the body and chassis of the Model S (Dyer and Gregersen, 2016).
- **Effective communication:** So far employees, venture capitalists, shareholders, and suppliers have been strongly motivated by Musk's bold vision, which he conveys very effectively. He has a rare ability to motivate people to pursue "impossible" goals.
- **First mover advantage:** Tesla is the first company to produce fully electric cars. This has allowed the company to acquire superior brand recognition and customer loyalty.

WEAKNESSES

- **Target market too small:** At present, Tesla only sells electric luxury cars, so Tesla is targeting customers who are upper-middle class with a typical income of over \$100,000 and strong awareness of environmentalism as well. The current target market is too narrow to permit growth.
- **Limited revenues and profitability:** Tesla's lack of experience in car manufacturing shows up in frequent production delays; moreover, production cost is high due to expensive battery technology.
- **Turnover in senior leadership:** This raises questions that weaken the confidence of the stock market and, most likely, also contribute internally to production delays (Shall, 2016).

OPPORTUNITIES

- **Increasing environmentalism:** Tesla is trying to produce a suite of products that people are likely to use in combination: solar roofing, home battery, and car.
- **New segment of market:** The Model 3 will have "strong performance" like the Model S, but will be half of the price at \$35,000.
- **Emerging global market:** Due to the rapid GDP growth in developing countries, Tesla just massively increased its potential sales by adding pre-orders in China, India, Brazil, and potentially others (Kissinger, 2016).

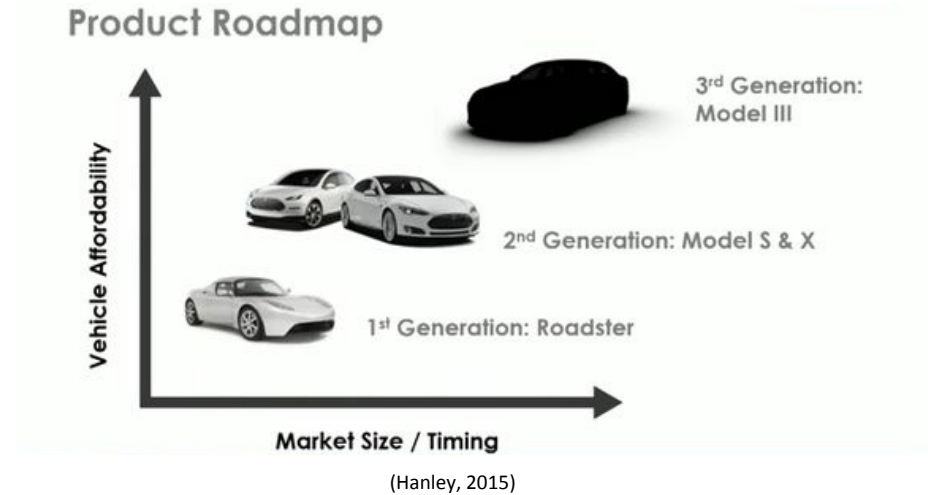
THREATS

- **Highly competitive market:** more and more auto manufacturers are releasing their own environmental friendly cars, such as Volkswagen.
- **President elect Donald Trump** has declared his intention to increase American energy production in his first 100 days (Kelly, 2016). This will make other energy cheaper and reduce people's incentives to switch to solar energy.
- **Dealership regulations:** About half of American states require automakers to sell through dealerships, a model Tesla rejects (Kumparak, Burns & Escher, 2016). They will have to fight this legislatively if they want to expand their market.

Recommendations

Innovation and R&D: The results of our Five Forces analysis of Tesla show that competition is the most significant force impacting the business. Thus, the company must prioritize this force in its strategic formulation. Our first recommendation is for Tesla to continue strengthening its competitiveness. Stronger competitive advantage is achievable through innovation and increased market presence; for example, in terms of innovation, Tesla can boost its research and development (R&D) investment to outpace competitors' rate of innovation.

Stronger market presence: We also recommend Tesla pursue a stronger market presence globally by international expansion. In fact, many Europeans don't even know Tesla exist! Thus, the company should seek to increase its brand visibility, especially in countries where electric vehicle infrastructure exists and in countries like Finland and Sweden that offer incentives for sustainable businesses.



Customer target: As mentioned in the SWOT analysis, currently Tesla's target market is too narrow. Tesla could achieve a differentiation strategy if they widen the range of models within their first class and small superior car segments. The most important aim for Tesla is to be available and affordable so that they can attract different market segments and not only for superior segment (George, 2016) Thus, the company should have a customer target plan for all income levels to cover the full market.

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