

---

# Strategic Management of Tesla

## On the Basics

In lecture we have discussed that strategic management is an evolution and a destination. What I believe this means that in order to obtain a strategically managed company the thoughts of evolution and destination need to be kept in mind and acted upon. For example, there are phases to reaching strategic management. The first being the basic financial planning phase. In this phase companies have managers create company planning based on the little financial analysis acquired from within the firm. Annual financial budget reports are less useful when planning for long-term planning. The next phase of strategic management is, forecast-based planning. During this second phase, managers realize how useless their financial planning process was when planning for the long-term so they then decide to propose five-year plans. Managers will gather not only analysis from within the company; however, they will also environmental data and also use that to extrapolate current trends for five years into the future. Ends less meetings take place during this stage in order to justify the forecast assumptions of the managers. During the third phase of externally oriented (strategic) planning, after the frustration with inaccurately predicted forecasts and five year plans, top management takes control and consultants provide innovative techniques to provide competitive intelligence into the company. Lastly, the fourth stage is strategic management. In this last stage top management and the entire company now realize how worthless planning is without the input of everyone in the company like: lower level managers, top management, planning groups, employees at every level from work groups and different departments. As a united team everyone at every level of the company comes up with strategies that will help in achieving their company goals and objectives. All four of these stages make up strategic management. The stages lead to the directional evolution and the destination of strategic management that emphasizes long-term performance.

Our team's CEO Company project is on Tesla, Inc., an energy storage company that specializes in electric vehicles, lithium ion battery energy storage, and solar panel manufacturing. Tesla has shown to be moving their company to strategic management values. Some examples on how Tesla does this are they find the original problem within the company, they then make that company problem an objective to work towards as a team, and lastly they check in as a team quarterly. Many companies often claim that they know what their goals are and that they have a long-term strategic plan, but very few actually work and deliver on it. At Tesla, CEO Elon Musk, is firm about his vision and where he wants his Tesla as a company to go. Musk drives his company to working efficiently by figuring out what the company problem is as a united team. When finding the problem at Tesla it "boils things down to its most

---

## Need help with the assignment?

Our professionals are ready to assist with any writing!

[GET HELP](#)

---

fundamental truth, and reason up from there. What problem is the customer facing? How can our team address it in a unique way?" As Tesla recognizes their company problem openly as a company they are working as a strategic management company. Tesla wants to know what their problems are so that can work up from the problem and create goal and company objectives to overcome the problem as a team. The second example of how Tesla is a strategic management firm is how Tesla relies on the entire team and employees at every department to work on the company problem together. Musk realizes he cannot fix the company problems alone. As a team they are able to develop and integrate a series of strategic plans that will be aimed in fixing the problems and reaching the company goals and objectives. When a company realizes what their problems are, they are then able to translate that problem into short-term goals. As a team they will then figure out how to break down or work through the problem step-by-step. Now that the team all knows what their problem is and the step to resolving the problem, they will be ready to face the gaps with their resources. The last example of how Tesla is a strategic management firm is Musk has his team do quarterly check-ins. People at all levels of the company are also involved in this process. The quarterly check-ins is for the company to review their problems, goals, and objectives and figure out what needs some adjustment. Tesla knows what their long-term goals are and they are well organized enough as a company and team to work together towards them.

Elon Musk's mission statement at Tesla, Inc. is "Our goal when we created Tesla a decade ago was the same as it is today: to accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible." When comparing the mission statement of Tesla to other companies one can see how what they want to strive for and how they want to make their goals come alive as soon as possible. Unlike the mission statement of many other companies, Tesla's mission statement is specific and not general. With the progress of the company by for it proves that Tesla is actually implementing their strategies and objective to reach this goal of theirs. That is what strategic management is about, making the "impossible" happen. They have focused their company objectives, values, and goals in working towards putting luxury electric cars into the market.

## **On Corporate Governance**

In a corporation it is the responsibility of the board of directors to govern and oversee top management with the interest of the company's shareholders. Corporate governance is a reference to essentially the relationship among board of directors, top management, and shareholders in determining the future path on the corporation. Three traditional roles of the board of directors is: 1) Monitor, 2) Evaluate and Influence, and 3) initiate and Determine. The first role of monitor, the board is to monitor by acting through its committees and bring to management's attention the developments it might have overlooked. In the second role, evaluate and influence, "a board can examine management's proposals, decisions, and

---

## **Need help with the assignment?**

Our professionals are ready to assist with any writing!

**GET HELP**

---

actions; agree or disagree with them; give advice and offer suggestions; and outline alternatives” (pg. 45). In the third role, initiate, and determine, “a board can delineate a corporation’s mission and specify strategic options to its management”. The Board of Directors at Tesla, Inc. includes, Elon Musk, Brad W. Buss, Robyn M. Denholm, Ira Ehrenpreis, Antonio J. Gracias, Steve Jurvetson, James Murdoch, Kimbal Musk, and Linda Johnson Rice. A total of nine Board of Directors. The Board of Directors at Tesla is constantly setting high standards for the company’s employees, officers, and directors. On Tesla’s website they mention how “It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and to oversee the management of the Company’s business. To fulfill its responsibilities and to discharge its duty, the Board of Directors follows the procedures and standards that are set forth in these guidelines. These guidelines are subject to modification from time to time, as the Board of Directors deems appropriate in the best interests of the Company or as required by applicable laws and regulations” (Corp. Governance). The most urgent governance issue impacting Tesla, Inc. board is the high operation costs and R&D. The high operations costs are driving Tesla, Inc. to a net loss. Since the operation expense are very high the Board of Directors need to evaluate and determine what steps need to be taken in order to stop or sustain this issue from getting any bigger. The Board of Directors are currently eliminating all unnecessary costs to manage this important issue. One of the ways they are trying to eliminate costs is by recently letting go of a few lower level employees since Tesla is unable to afford them at the moment. Tesla’s goal is to sell as many cars as possible to make up for such high operation costs.

Elon Musk and Tesla, Inc. participate in a few philanthropic initiative/programs that they aim to do good while also helping the firm do well. One example if a philanthropic program that Tesla, Inc. is part of is called the Tesla Foundation. Many other large corporations such as also support this foundation: FedEx, CNN, NASA, GM, MIT, and Aerospace just to name a few. The Tesla Foundation was created in 2014 with the Advisory Board Members comprising of: Daniel Golden, Linden Blue, Fredrick Smith, and Co-Founder/CEO Tesla Foundation Keith Kaplan. The Tesla Foundation does much good to communities; here is just a bit of what they do: help with at-risk youth groups, they work with the Los Angeles Community College District to promote technology and sUAS education, and worked with Police Athletic League to give children of East Cleveland and Flint Michigan access to educational programs. One can see that even from the start of Tesla, Inc., the company has always been determined in educating children and youth. They’ve realized they need to be part of the role of educating the children.

## **On Competition & Porter’s Five Force**

The ‘magic sauce’ that makes Tesla stay in the game would have to be the fact that it is “the first company that commercially produced federally compliant electric vehicle with the design styling and performance characteristics of a high-end performance automobile.” This

---

### **Need help with the assignment?**

Our professionals are ready to assist with any writing!

**GET HELP**

---

competitive advantage has benefitted Tesla, Inc. as soon as they joined the market. They have not been any other automobile company like them. They are the firsts in supplying the industry with a vehicle that offers “superior performance, lower maintenance, and no tail pipe emissions compared to internal combustion engine based cars, [Tesla] has also been able to benefit from various government incentives at both the federal and state level (ZEV credits, federal tax credit for buyers)” Although, they are ahead of the market right now there are competitors that also want to jump on Tesla’s bandwagon. However, what differentiates Tesla again is that they are not a simple, compact, ordinary looking vehicle; Tesla is specializing their cars to look and feel superior just like any other luxury vehicle for driving aficionados to even enjoy.

In Michael E. Porter’s *The Five Competitive Forces That Shape Strategy*, we learn that there are essentially five forces that shape competition, five forces that make your company competitive in the industry. The five forces are comprised of rivalry of competition, bargaining power of the suppliers, bargaining power of the buyers, threats of substitutes, and threats of new entrants. For Tesla, rivalry for competition is high. Many automobile companies are starting to adopt the idea of creating hybrid cars. Not only are other hybrid cars a big competitor for Tesla; so are other luxury cars on the market, cars that are not even electric. Tesla needs to really convince their buyers why they should purchase their vehicles and not a BMW or Mercedes Benz. Currently the bargaining power of the suppliers is high as well. Tesla places a large dependence on Lotus, whom provides the engineering components for their vehicles. Panasonic also supplies the batteries to Tesla. Batteries are a great component of the vehicles for Tesla so they rely on getting these products. Tesla has been looking to vertically integrate all parts of their business in the future. Next, the bargaining power of the buyers is also high. Today an ordinary buyer is more hesitant in buying an “eco-friendly” vehicle since there are lower switching costs to other vehicle providers. If the customer’s intent is to purchase a luxury electric vehicle then the bargaining power of the buyer would be low. There are also a high number of substitutes that customers have available to them in this industry. First, in the industry the substitutes would be other forms of transportation such as: trains, busses, walking, biking, and etc. There are also other hybrid or electric vehicles a customer may choose from. Lastly the threat of new entrants is low. Tesla is a very difficult brand to compete with in the market. They have made “patents and innovations [that] are not easily duplicated by competitors.” The market does not offer high performance vehicles that are also electrically powered. In the text, Wheelen and Hunger include a sixth force that they believe Porter should have mentioned and that is, the relative power of other stakeholders. The complementor would currently be Panasonic and Lotus. Without these two companies Tesla would go out of business, maybe temporary, however it will still hurt them as a company. As mentioned before Panasonic and Lotus both provide essential services to Tesla in order for them to keep on operating.

I believe Tesla does have a position in the “blue ocean” strategy. Although they do have

---

## Need help with the assignment?

Our professionals are ready to assist with any writing!

[GET HELP](#)

---

competitors who are trying to compete with them, they just can't. Tesla offers an unique product on the market that no one else does currently. In Kim and Mauborgne's article that mention that in order to sustain a competitive advantage the essence of competition needs to be erased or irrelevant. Tesla has done just that; they are the first company to produce an electric vehicle with characteristics of a high performance luxury automobile. In order for Tesla to sustain this competitive advantage CEO, Elon Musk, is always encouraging innovative ideas. His concern isn't only the profit; his objective also consists of providing "technological leadership in the field of electric vehicles."

## On The Value Chain

Wheelen and Hunger list out a few different types of business models. The business models that best fit Tesla, Inc. are the Time model and the Entrepreneurial model. The time model demonstrates how "product R&D and speed are the keys to success" Tesla was the first to market a new innovation; however they have not earned any extraordinary returns but they have earned an award of the Global Sustainability Innovation Award of 2009. By the time the rest of the industry catches up with Tesla they will have moved on to another innovative idea since Elon Musk is constantly encouraging innovative thinking within his organization. Tesla also relates to an entrepreneurial model because they offer a specialized product to a certain buyers who wish to purchase a luxury electronic vehicle.

The value chain model is a set of linked value creating activities that is composed of the raw materials, primary manufacturing, fabrication, distributor, and lastly the retailer. Porter "proposes that a manufacturing firms primary activities usually being with inbound logistics (raw materials handling and warehouse), go through an operation process in which a product is manufactured, and continue on to outbound logistics (warehousing and distribution), to marketing and sales, and finally to service (installation, repair, and sale of parts)" After the primary activities, the value chain also includes firm infrastructure, human resource management, technology development, and procurement, which leads to a profit margin. The current profit margin for Tesla is not so great; they are currently at a loss of \$2,240,578,000. Their target profit margin will essentially be to get out of this loss and Tesla's objective in doing so it by selling their vehicles. One way Tesla can increase their profit margin is by improving R&D, their processes on how they are going to get the market to want to purchase their vehicles. Tesla is a unique eclectic vehicle and they need to incorporate Zenger's three sights into their strategy. For example, the three sights are foresight, insight, and cross-sight. The article provides Steve Job as a perfect example where he incorporates the three sights into his organization. Tesla can improve their profit margin by concentrating on their cross-sight. Tesla needs to "identify external assets through which value could be created." By doing this Tesla not only continuously proves how remarkably different their product is they provide an addition incentive to attract their buyers.

---

## Need help with the assignment?

Our professionals are ready to assist with any writing!

**GET HELP**

---

gradesfixer.com

---

### **Need help with the assignment?**

Our professionals are ready to assist with any writing!

**GET HELP**