

Team 5 Executive Summary

Tesla, a pioneer in the electronic vehicle industry, has shown that it is possible to build an electric vehicle without the existing infrastructure and logistical know-how of more established automobile manufacturers. For this reason, Tesla is an intriguing organization to study, and as an industry disrupter warrants the detailed investigation presented in this report. However, Tesla is not without their share of problems. The organization's product backlog continues to grow amidst production issues in both their California and Nevada plants and while the surging demand for Tesla cars persists, Tesla continually fails to meet the performance targets their bold CEO, Elon Musk consistently makes. These issues would be discussed in depth in report that follows.

This report synthesizes the characteristics of Tesla's organization into a set of findings meant to provide the reader with a comprehensive understanding of how the company is run. This analysis consists of explanations regarding Tesla's organization strategy and structure, the factors influencing their external environment, and their organizational culture. The report then presents the key issues regarding Tesla's performance from varying standpoints. These findings and issues then feed a set of conclusions and recommendations serving as takeaways for the reader.

In 2003, Tesla strived to become one of the first automobile car manufacturers to produce an electric sports car that rivalled the performance of industry leaders. Their strategy at the time was to partner with Lotus as Tesla lacked the capabilities to build a complete automobile. This partnership, along with procuring parts from the automobile manufacturing ecosystem led to the emergence of the Roadster. Tesla planned to build off the success of the Roadster to finance future models. Despite the proceeds of the Roadster being smaller than expected, the debt-financing and partnership deals Tesla was able to obtain made this strategy worthwhile. For Musk, at Tesla's early stages, their mission was to make the electric vehicle more attractive to the average consumer even if this meant proceeding at a deficit. These values are echoed in their sales model as Tesla strives to innovate the dealership model to one that is more aligned with a shopping experience.

Looking forward, while Tesla's technology and approach to sales is innovative, their production in both their California and Nevada plants are limiting their success. With new models consistently on the horizon, Tesla must solidify their production processes in order to enter a more stable organizational stage where the company can focus on growth. This can only be obtained through the proper financing of future operations. The team recommends that Tesla raise the prices of their automobiles to cover the unexpected but exorbitant costs of equipping both factories to be operationally fit to handle the company's backlog of purchase orders. This capital will go towards injecting stability into their operations, facilitating their cost-leadership mission moving forward. From a high-level viewpoint, Tesla must better forecast their production by generating strategic projections based on their actual capabilities being cognizant of production limitations and potential unexpected failures.