

Jailene Cartagena, Alex Cross, Antonio Hill, Tiffany McHugh, Jake Opdyke, Lauren Robinson

MGMT 325: Contemporary Organizations and Management

ODU | Face-to-Face Course | Fall Semester 2017/2018 AY

Group Paper

Tuesday, 12 Dec 2017

## **Tesla Incorporated**

Tesla Incorporated, formerly known as Tesla Motors, is a publicly traded electric automaker based out of Palo Alto, California. The Organizational structure of Tesla Inc. is that of traditional form. Tesla uses a “global hierarchy” style of structure. From the top there sits the Chairman and Chief Executive Officer, then the Chief Financial Officer, the Chief Technological Officer, and so on through various Vice Presidents until finally, the General Counsel. Tesla has an extensive web of offices and factories all around the world including, Germany, Netherlands, China, Taiwan, Japan, South Korea, Australia, New Zealand, as well as California and Nevada. Tesla currently employs over thirty-thousand skilled workers worldwide with nearly twenty-five thousand here in the United States. Recently, Tesla Inc. has acquired SolarCity, a solar energy company. SolarCity plans to bring solar panel roofing to residential areas. The mission statement, or goal of Tesla Inc. is to “Accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market ASAP.” as CEO, Elon Musk stated. The driving force of Tesla Inc. is to reduce emissions, creating a cleaner world.

The senior management team of Tesla Inc. is a trio comprised of the Chief Executive Officer, Elon Musk, the Chief Technological Officer, JB Straubel, and the Chief Financial Officer, Deepak Ahuja. Although Tesla is leading the way in scalable energy, the most interesting part of the company may be their CEO, Elon Musk. Elon is credited with the creation of what is known today as PayPal, and online money transferring website. After Ebay purchased PayPal, Musk became involved with Tesla, becoming the CEO and Product Architect. Musk has many ventures including SpaceX, where Musk envisions reusable rockets and solar exploration. If not creating complex batteries, or designing space ships, Musk is tackling the L.A. traffic crisis,

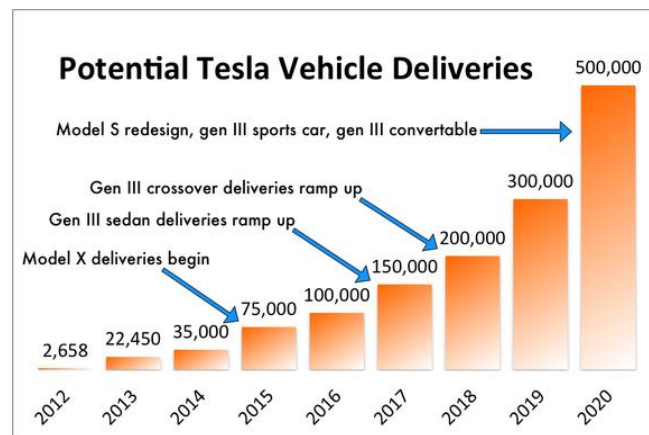
creating the world's fastest tunneling machine. Musk sees a network of traffic tunnels underneath the city of Los Angeles, where cars ride on trolleys that take you from one point to another.

Tesla Inc. creates fully electric automobiles, electric powertrain systems, as well as batteries for commercial and industrial use. The world was introduced with Tesla in 2008, when their first model of a fully electric car became available, the Roadster, for just over one-hundred thousand U.S. dollars. The car could travel over two-hundred and fifty miles with a single charge. The Roadster was a groundbreaking achievement in the transition towards clean energy. In fact, Tesla built a battery factory in Nevada so that it may produce the batteries and distribute them to other automakers, even for industrial use. This goes to show that Tesla truly cares about the advancement of our world. Tesla sales growth has grown over the past quarters as shown in the graph below.



In order for Tesla Inc. to penetrate the automotive market, they first had to target a specific market segment. Tesla is a motor company, true, but they also are a technological

company, and like many technological products, Tesla had to break through at a high cost, low volume market. This of course encompasses the truly wealthy segment of the market. But this was to not establish Tesla as a High end, for elitist only company. This was done so that Tesla could then refine their product at least three times until able to truly penetrate the mass market. Allowing Tesla the time to mature their product, allowed for a decrease in production cost, and now Tesla is on schedule to produce a mid-market sedan for thirty-thousand U.S. dollars. Furthermore, what really sets Tesla apart from other automotive manufacturers is that all of their vehicles have the ability to be wirelessly updated at anytime to fix bugs, improve performance, or fully unlock the vehicles battery potential. Tesla plans on increasing their production rate on by 2020, the graph below details what they plan on accomplishing.



There are several internal and external management issues facing Tesla Inc. at this time. Internal management issue is production not going as planned, the delay of the Model 3 car. The company stands by their mission to accelerate the world's transition into sustainable energy, they have had several obstacles with releasing a couple of their newer models; whether it is delivering parts to finish a product or coming short of quarterly production. I think staying true to the quality of their product rather than a speedy production reveals that they care

about their customers and their product. As many companies, Tesla still has some kinks they need to work on; for instance, in a TED interview Musk reveals that the vehicles are expected to drive on a specific cadence. He explains the vehicles are to travel the distance of about 160-170 miles then needs to be stopped to charge for about 20-30 minutes. We all know that 160-170 miles is not very far and at that rate of travel, long distance drives would last even longer. The battery is the heaviest part of the vehicle and only holds a decent charge if you travel at a constant speed in normal conditions. We think the battery could be reinvented in the future to hopefully last longer for travel time, especially if there is not a charging station in that specific area yet. An up and coming product/company that will soon be easily accessible, Tesla releases the next best thing before other companies can catch up. We believe that Tesla is in a position for long-term success, although they have had a few minor setbacks, they create products that obtain the best safety and quality.

A key component of a successful business is to maintain a proper and sufficient working environment. An environment that will keep your employees focused at the task at hand as well as motivated to complete said tasks on time. An environment that not only benefits the company but also the employees, so that you may ensure a long-term relationship with your workforce. On the eve of Tesla's largest launch to date, the release of the Model 3, several high in command employees have unspooled and joined other notable companies. Just like Tesla's Former Vice President of Technology, Rich Healey, who when hired was a major score for Tesla, left Tesla for a position working for Facebook. Several other top executive positions have left Tesla as well, including two dozen management positions within the last year. To have so many top-level executives leave a major company with so much potential is frightening. This means

that the culture at Tesla is not enticing enough or lacking in some way that is not satisfying even the highest paid employees. This starts from the top and may trickle down to the lower levels of the workforce. There is already an unhappy pro union workforce on the production floor. These employees have already expressed their displeasure with Tesla's plan to increase production levels from ten thousand to over thirty thousand Model 3s per month. This was asked to be done without pay raise as well as mandatory overtime. The environment surround Tesla is no looking good at such an important time for the company. In our team's opinion, there has to be some major reason for Tesla's top employees to leave the company and in some cases they have left for competing companies. There may be some possible issues with the salary structure or perhaps the environment is not comforting enough. We would look into the competing companies' structure and see how they are maintaining their workforce and how it differs from Tesla's.

### Work Cited

- Meyer, P. (2017, February 21). Tesla Motors, Inc.'s Organizational Structure, Characteristics (An Analysis). Retrieved October 12, 2017, from <http://panmore.com/tesla-motors-inc-organizational-structure-characteristics-analysis>
- Musk, Elon. "The mind behind Tesla, SpaceX, SolarCity ..." Elon Musk: The mind behind Tesla, SpaceX, SolarCity ... | TED Talk, [www.ted.com/talks/elon\\_musk\\_the\\_mind\\_behind\\_tesla\\_spacex\\_solarcity/details](http://www.ted.com/talks/elon_musk_the_mind_behind_tesla_spacex_solarcity/details).
- Kane, Libby. "In internal Tesla memo, Elon Musk says the way most companies communicate is 'incredibly dumb'." *Business Insider*, Business Insider, 30 Aug. 2017, [www.businessinsider.com/tesla-elon-musk-how-to-communicate-2017-8](http://www.businessinsider.com/tesla-elon-musk-how-to-communicate-2017-8). Accessed 20 Sept. 2017.
- Wartzman, Rick. "Admire Elon Musk all you want, but please don't manage like him." *Fortune.com*, Fortune, 21 Jan. 2015, [fortune.com/2015/01/21/elon-musk-micromanagement-control/](http://fortune.com/2015/01/21/elon-musk-micromanagement-control/). Accessed 13 Sept. 2017.
- DeBord, M. (2017, January 01). Tesla faces 3 major tests in 2017 - and it has to pass them all. Retrieved October 04, 2017, from <http://www.businessinsider.com/tesla-challenges-2017-2016-12>