



Assessment on

**Strategic Evaluation of Tesla in Japan's EV Market and Gibbs'
Reflective Account**

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Part 01: International Business Report

1. Introduction

The global automotive sector is undergoing a transformation, as electric vehicle (EV) development redefines competitive advantage, supply-chain dynamics and national industrial policy globally. Japan is an integral part of this shift, having emerged as a global automotive powerhouse after World War II, through industrialisation, lean manufacturing and the emergence of global automotive corporations like Toyota, Honda and Nissan. US electric vehicle manufacturer Tesla Inc. is an example of a disruptive outsider to this highly competitive landscape. In the following discussions, we will go through this turning the conceptual learning of International Business Concepts and applying those to a real world scenario. The following Section 2, provides an industry and country overview, Section 3 applies Porter's Diamond Model, Section 4 critically evaluates Tesla's operations through the PESTEL framework, Section 5 presents conclusions, and Section 6 offers a reflective account using Gibbs Reflective Cycle (Gibbs, 1988).

2: Industry and Country Overview

2.1 Introduction to Japan's Automobile Industry

The Japanese car industry is one of the greatest success stories of the 20th century. Rebuilding from the post-war foundations, the Japanese government invested in its manufacturing sector, imported technological innovation and fostered the development of global-scale companies like Toyota, Honda and Nissan, all of which achieved global competitiveness by the 1970s and 1980s. Japan remains one of the world's three big car manufacturers, a fact supported by the lean manufacturing and Kaizen (continuous improvement) philosophies that have become closely associated with Japanese automobile production and which have been widely studied and adopted around the world (JAMA, 2025)

The electric vehicle revolution now presents the greatest challenge for Japan's automotive industry, which will alter the production and supply chain systems that have been the key underpinning of its competitiveness.

2.2 Size, Scope and Economic Importance

Japan has one of the largest domestic markets, selling more than four million cars a year. Although this market is slowly diminishing in recent years due to urbanisation and an ageing population meaning that fewer young people have cars

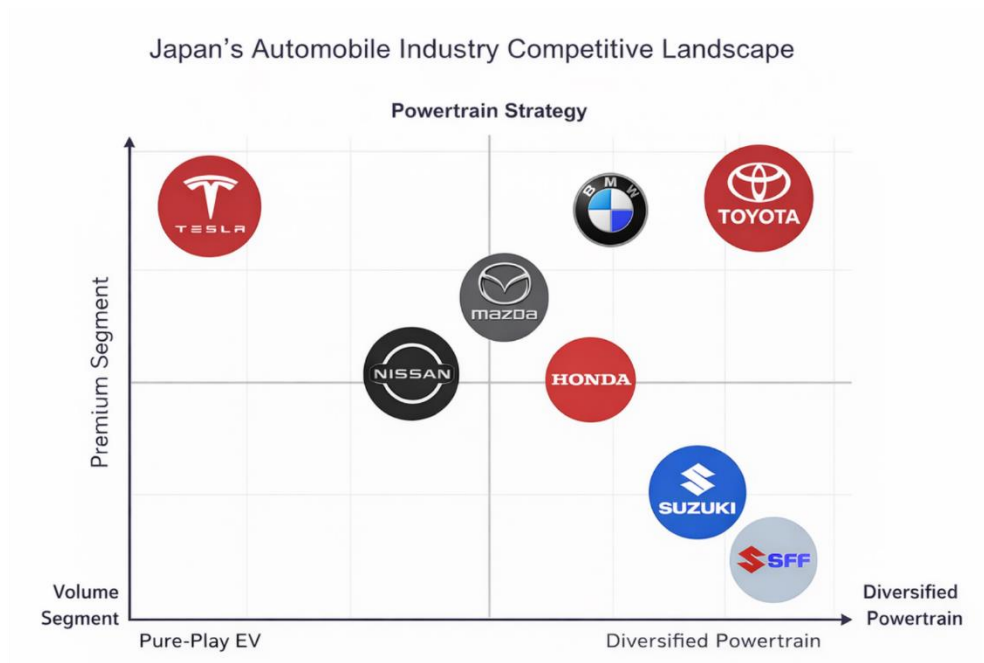
The industry contributes some 8% of Japan's GDP (direct and indirect) in manufacturing, supplier, retail and after-sales service industries. It is also a major source of employment, with 5.5 million people being employed in manufacturing and related activities (JAMA, 2025). Japan is still a significant exporter of cars, exporting over 3.8 million cars each year and which are critical to foreign exchange earnings and trade surplus (JAMA, 2025).

The government's primary policy framework for the industry's EV transition is the Ministry of Economy, Trade and Industry's (METI) Green Growth Strategy (METI, 2022) which sets aspirational targets for the electrification of Japan's vehicle fleet, and generous government support for EV infrastructure, battery technologies and hydrogen fuel cell technologies. This policy ecosystem is both opportunity for multinational EV manufacturers like Tesla (whose product ranges align with government policy), and complexity, as the country seeks to balance its interests in foreign market access, protecting its domestically rooted automotive champions.

2.3 Major Domestic and Multinational Firms

The domestic Japanese automotive industry consists of five manufacturers with a combined global scale and efficiency to become some of the world's largest automotive companies. Toyota Motor Corporation has a multi-powertrain strategy (hybrid, hydrogen fuel cell and battery electric) and it is competing in the luxury and low-end segments, in over 170 countries and regions with its hybrid platform as an ongoing strength (Toyota, 2025). Honda Motor Company focuses on efficient combustion and hybrid technologies, while rapidly scaling up its electrification roadmap, particularly in the volume and compact segments in North America, Asia and Europe (Honda, 2025)

Nissan Motor Company is a pioneer in electric vehicle (EV) technology, with the introduction of the Leaf in 2010 as one of the first mass-market electric cars, but its general competitive strategy has been affected by recent financial and governance issues (Nissan Motors Co., 2024). Mazda Corporation focuses on design and performance, with a niche premium strategy in global markets, including strategic electrification (Mazda.com,2024) Suzuki Motor Corporation is a small/micro vehicle specialist, with a strong presence in the Indian and Southeast Asian markets, where its lightweight strategy appeals to consumers (Suzuki Motor Corporation, 2025).



Competitive Positioning of Automobile Firms Operating in Japan (Author's Own, 2025)

International competitors in Japan include Tesla Inc., which compete by offering premium electric vehicles and the latest battery, software and direct-to-consumer sales strategies (Tesla.inc, 2025). The Volkswagen Group operates in Japan mainly with Audi and serves the premium market segment, its product offering has struggled in the Japanese market relative to its European counterparts (Volkswagen Group, 2025) The BMW Group and Mercedes-Benz also compete in the premium segment in Japan, with brand, quality and service networks as key points of difference, and are rapidly electrizing to maintain their premium segment share in the face of Tesla's onslaught (BMW AG 2024).

Table 1: Comparative Positioning of Key Automobile Firms Operating in Japan
 (Author's Own, 2026)

Company	Type	Core Strategy	Primary Market Segment	Key Geographic Markets	Revenue 2024/2025 \$ Billions	Competitive Position
Toyota	Domestic	Diversified powertrain, hybrid leadership	Volume and premium	Global	337	Market leader
Honda	Domestic	Fuel efficiency, selective electrification	Volume and compact	North America , Asia	142	Strong domestic incumbent
Nissan	Domestic	EV pioneer, cost-competitive volume	Volume	Japan, North America	74	Weakened incumbent
Mazda	Domestic	Design differentiator	Compact premium	Japan, North America	33	Niche specialist

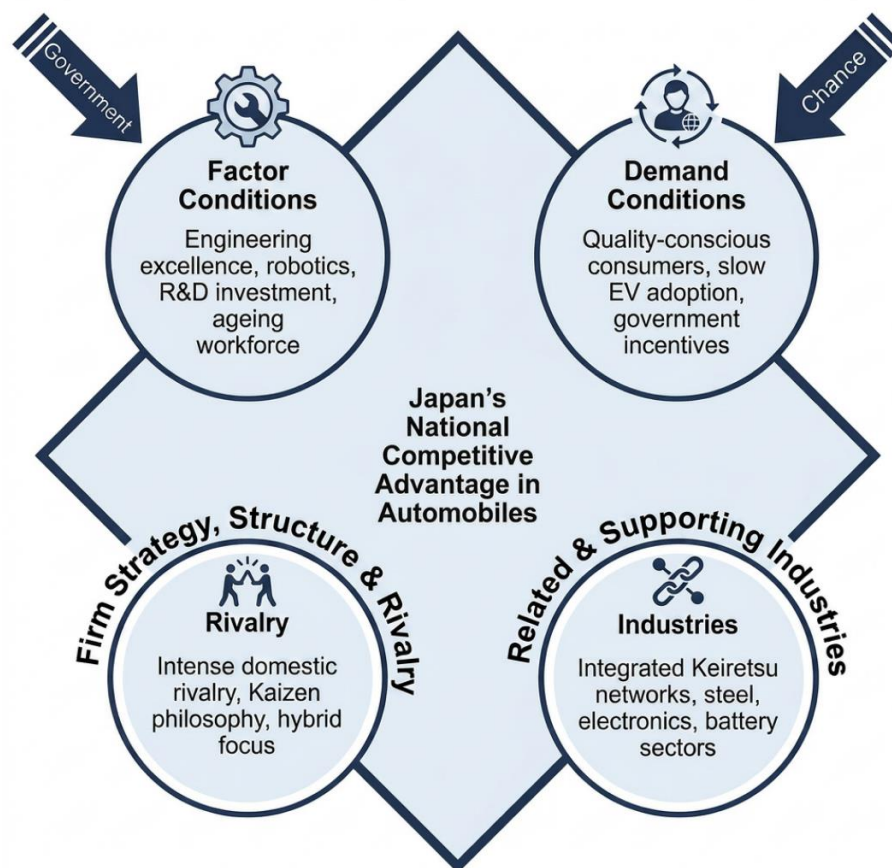
		on, niche premium				
Tesla	Foreign MNC	Pure-play EV, direct sales, software	Premium EV	USA, China, Europe, Japan	98	Leading imported EV brand
BMW	Foreign MNC	Premium engineering, electrification	Premium	Europe, China, USA	155	Established premium incumbent
Mercedes-Benz	Foreign MNC	Luxury prestige, EV transition	Luxury	Europe, China, USA	152	Established luxury incumbent

Tesla's Japan positioning is different to domestic manufacturers in the four analysis dimensions. In terms of strategy, Tesla is a vertically integrated, software-focused company, compared to the supply-chain focused, hardware-centric strategies of Toyota, Honda and Nissan. In terms of segment, Tesla is dedicated to the high-end EV segment (Model 3 and Model Y) in contrast to the multi-segment, multi-powertrain segment strategies of Japanese manufacturers. In terms of performance, Tesla's sales of over 10,600 units in Japan in 2015 and almost doubling year-on-year growth (Nikkei Asia, 2016) demonstrates strong sales momentum but are dwarfed by domestic manufacturers. In terms of market structure, Tesla is an isolated player as the only foreign pure-play electric vehicle (EV) manufacturer with an office in Japan, which is discussed in detail in section 4.

3. Porter's Diamond Model Analysis

3.1 Overview

Porter's Diamond Model of National Advantage (Porter, 1990) is a framework for analysing the national competitive advantage of an industry. The four determinants of the diamond are factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry, whereas the diamond's exogenous variables are government and chance, which influence the performance of the diamond but are not part of the diamond itself. In the case of the Japanese automobile industry, the model highlights a historically deeply interwoven set of national advantages that have allowed Japan to lead the world in the automobile industry for more than 50 years.



Porter's Diamond Model Analysis of Japan's Automobile Industry (Author's Own, adapted from Porter, 1990)

3.2 Factor Conditions

Japan's factor condition advantage in the automobile industry is built on three core pillars: a highly skilled engineering work force; a technologically oriented education system that produces first-rate science and engineering graduates; and a globally competitive manufacturing infrastructure built over a half century of industrial investment. Japan's R&D spending as a share of gross domestic product (GDP) is among the highest in advanced industrial economies, and indicative of a national commitment to technological progress that has in turn supported innovation in the automotive sector (Bureau, 2024).

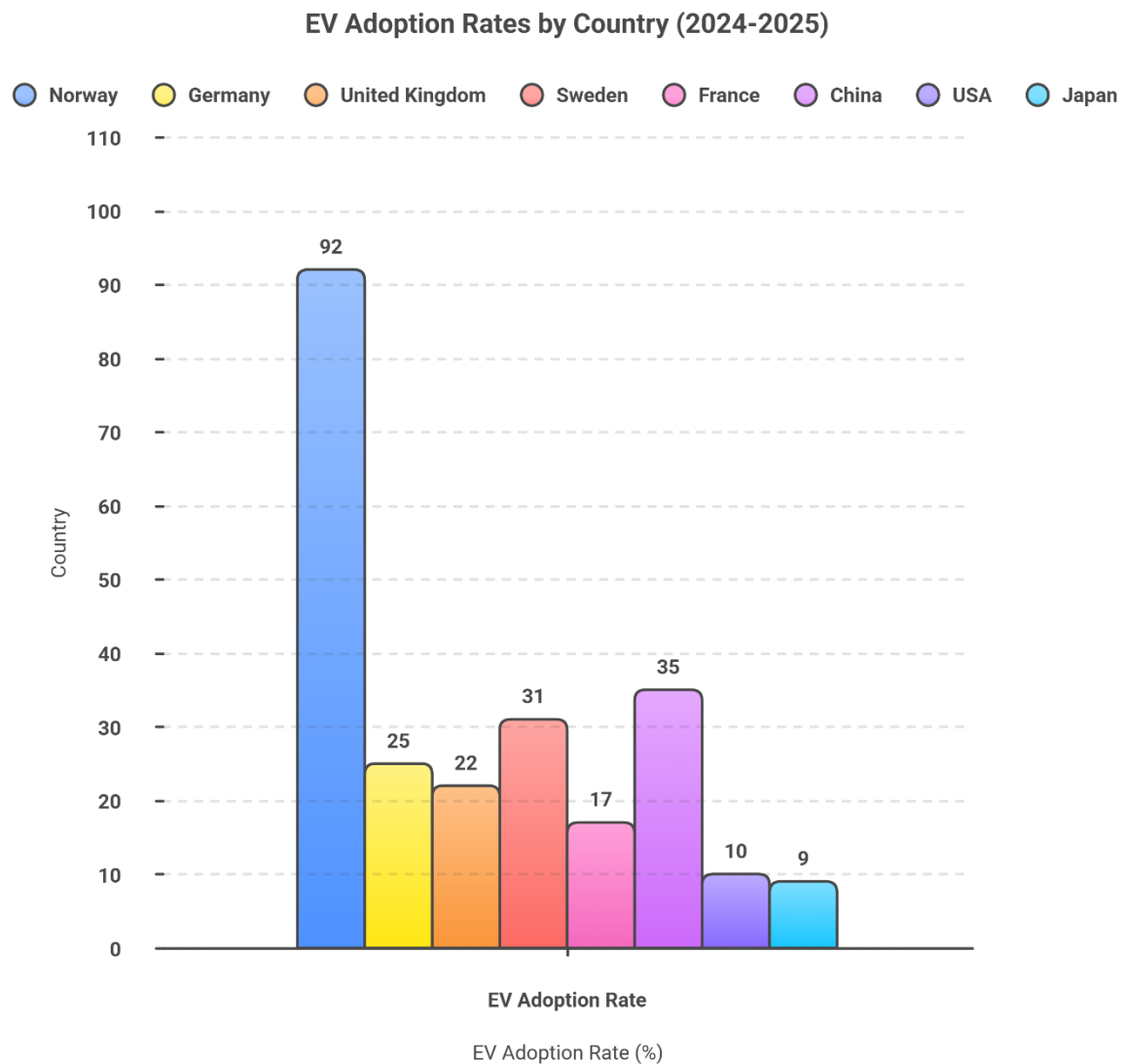
Japan's expertise in robotics in particular is critical, with local manufacturers implementing sophisticated robotic systems that enable a manufacturing precision that is unmatched in most other developed countries, a capability that has historically had a direct impact on quality and productivity in automotive manufacturing]. However, Japan's ageing population, and with it the workforce, represents a structural weakness that is becoming more acute, and one that will need to be overcome by Japanese manufacturers and foreign competitors, such as Tesla, alike through more rapid automation investment and international labour market strategies.

3.3 Demand Conditions

The Japanese domestic market has traditionally been a highly sophisticated and quality sensitive consumer market for Japanese automobiles, with Japanese customers expecting the highest possible standards in terms of reliability, quality, and after-sales service

This challenging domestic market has encouraged ongoing innovation in the Japanese automobile industry across multiple generations of product platforms, it has done so as predicted by Porter (1990): demanding domestic demand enhances the competitiveness of home country producers, equipping them for global competition. The Japanese government's introduction of EV purchase incentives has generated an increasing demand for electric vehicles in the Japanese market, with consumer sentiments towards electric mobility steadily increasing in urban areas. Yet, Japan's EV adoption rate is relatively low compared to similar advanced economies such as Norway, the United Kingdom and Germany (IEA, 2025)

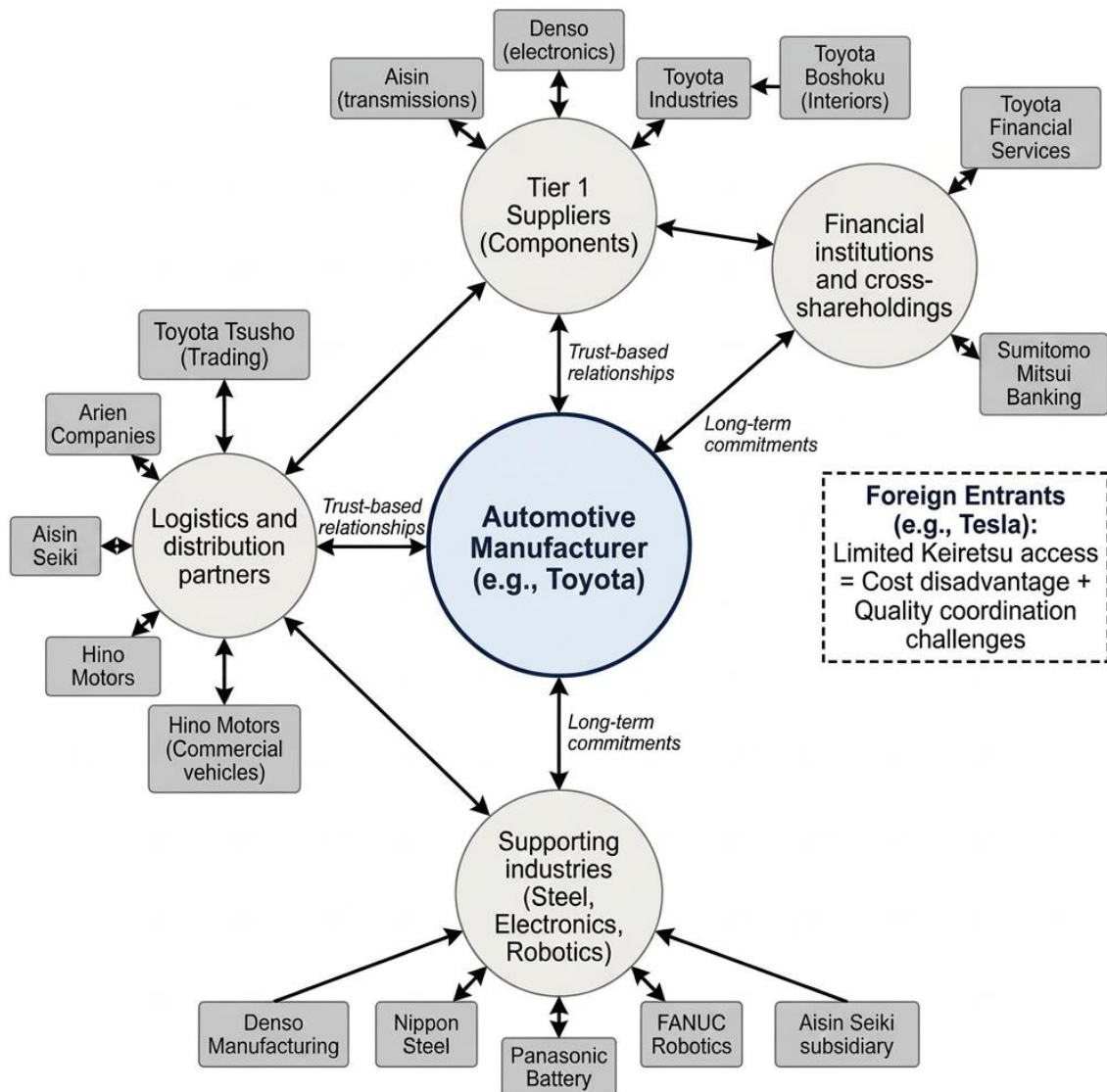
Despite the incentives, Japanese consumers have taken longer to embrace battery electric vehicles than their peers in the West, presenting a paradox of consumer demand in which government ambition outstrips willingness to purchase, limiting Tesla's short- to medium-term growth strategy.



(Electric Vehicle Adoption Rates by Country, 2024–2025)

3.4 Related and Supporting Industries

Japan's automotive industry is supported by one of the most highly integrated supporting industrial bases of any manufacturing economy, featuring world-leading capabilities in steel, electronics, batteries, robotics and logistics



*(Keiretsu Network Structure and Competitive Implications for Foreign Entrants
(Author's Own, 2025))*

The Keiretsu network is the most distinctive structural feature of this supporting industry base: these longstanding cross-shareholding arrangements between domestic car manufacturers and their part suppliers foster trusting procurement relationships that engender substantial cost, quality and innovation benefits for Japanese firms. Toyota's Tier 1 supplier network through the Toyota Group Keiretsu illustrates how these structural arrangements translate into competitive advantages that are extremely hard to match. While the Keiretsu network represents a significant

strength of the Japanese supporting industry base for domestic firms, it also represents a barrier to foreign entrants such as Tesla, who are unable to access the same level of supplier relationships, quality control and cost efficiencies that Keiretsu membership provides.

3.5 Firm Strategy, Structure and Rivalry

Domestically intense competition between Toyota, Honda and Nissan has historically been a leading source of Japan's overall automotive industry competitiveness, forcing firms to engage in continuous quality, efficiency and product innovation efforts to maintain market share. The Kaizen philosophy of incremental improvement is not just a management strategy but a cultural and strategic imperative of Japanese industry rivalry, generating a cumulative gain in quality and efficiency that has proven to be very difficult for overseas competitors to replicate.

The competitive landscape has been complexly impacted by the EV revolution: Toyota's calculated and initially reluctant commitment to full battery electric vehicle development versus Nissan's early investment in the Leaf platform, and the increasing cost competitiveness of Chinese EV manufacturers in key Japanese export markets. While domestic rivalry has historically led to operational efficiency, the Japanese automobile industry's collective ambivalence about full commitment to battery electric vehicle transition suggests that rivalry-induced incremental improvement is not necessarily a recipe for strategically agile responses to disruptive technological change.

3.6 Critical Evaluation

Integrating the four determinants reveals that Japanese competitive advantage in the automobile industry is indeed systemic: factor conditions, demand conditions, supporting industries, and rivalry are interrelated and mutually reinforcing, and have historically generated a virtuous circle of competition. However, this systemic coherence is also a potential source of strategic inertia, since the established relationships and logic of incremental innovation that underpin advantage in the existing technological regime may be a barrier to the structural revolution required to transition to the EV future.

It is worth considering three substantive issues with Porter's competitive advantage framework in this respect. First, Porter's Diamond was constructed by studying advanced Western industrial economies and assumes a role for market-based competition that does not fully theorise the role of relational institutions. The Keiretsu network is based on trust, reciprocity and cross-shareholding arrangements that are not accounted for in Porter's market-based determinants of competitive advantage. Rugman and D'Cruz (1993) recognised this in their Double Diamond Model, which suggests that Porter's model understates the importance of institutional and relational structures in national competitive advantage. Khanna and Palepu (2010) offer a useful supplement to this analysis, recognising such relational structures as institutional structures that complement the market and influence competitive dynamics in ways that Porter's framework fails to explain fully.

Second, Porter's framework is inherently static, and intended to explain existing and historical sources of competitive advantage, rather than to theorise industries in the midst of technological discontinuity. This is indeed the case in Japan's automobile industry, as electrification and software defined vehicle technology is reshaping sources of competitive advantage in real time, making the framework's predictive capacity with regard to emerging rather than existing competitive dynamics limited (Kim and Shimabukuro, 2022)

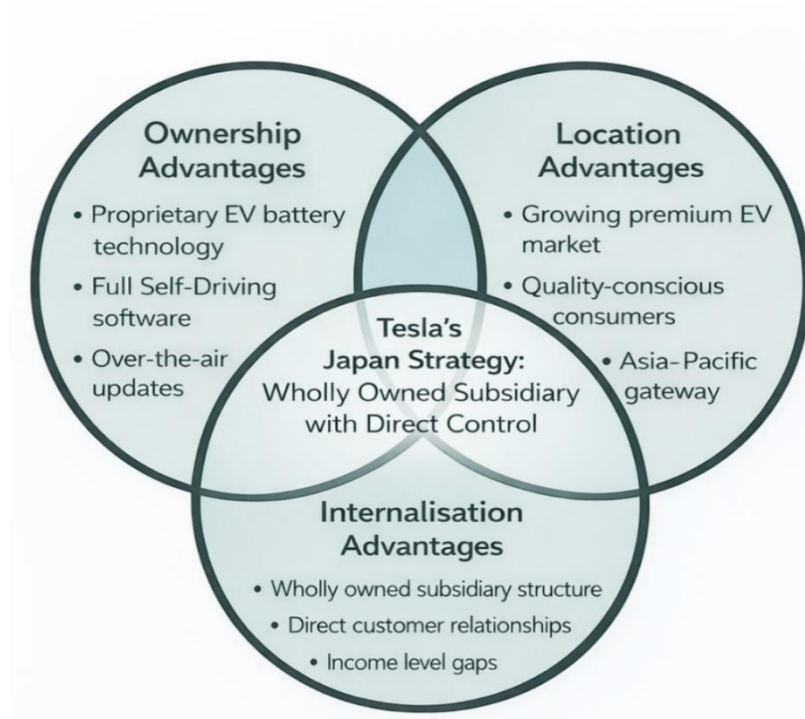
Third, Porter (1990) assumes the role of government as an exogenous factor shaping the diamond, rather than an integral part of it. METI's Green Growth Strategy (METI, 2021) illustrates that government policy in Japan is an endogenous source of competitive advantage that shapes investment and technology targets and market structure rather than simply an external backdrop. This blind spot, implicit in Porter's model, is especially important in Japan's institutional environment. The PELC and CAGE frameworks used in Section 4 capture aspects of political, economic, legal and cultural distance not captured by Porter's determinants.

4: Critical Evaluation of Tesla's Operations In Japan

4.1 Overview of Tesla in Japan

Tesla began operations in Japan in 2010, with a wholly owned subsidiary, initially focusing on online-only direct sales. The company's more recent expansion to 16 showrooms in busy shopping malls in Tokyo, Nagoya and Osaka (Seeking Alpha, 2026) indicates that it recognises the need for a more "hands-on", relational approach to sales in Japan. It's sales of more than 10,600 cars in 2025, up 86% on the previous year, have made Tesla Japan's best-selling imported electric vehicle (EV) brand (Nikkei Asia, 2025).

Using Dunning's OLI model (Dunning, 1988), Tesla's ownership advantages include advanced battery technology, vertically integrated EV design, Full Self-Driving (FSD) programming and over-the-air software upgrades. Location advantages include the emerging upscale EV market, tech-savvy customers and Japan's role as a gateway to the Asia-Pacific. Internalisation advantages stem from wholly owned subsidiary status, allowing control over technology, pricing, customer data and brand positioning all vital in a market where reputation is built slowly and easily damaged.

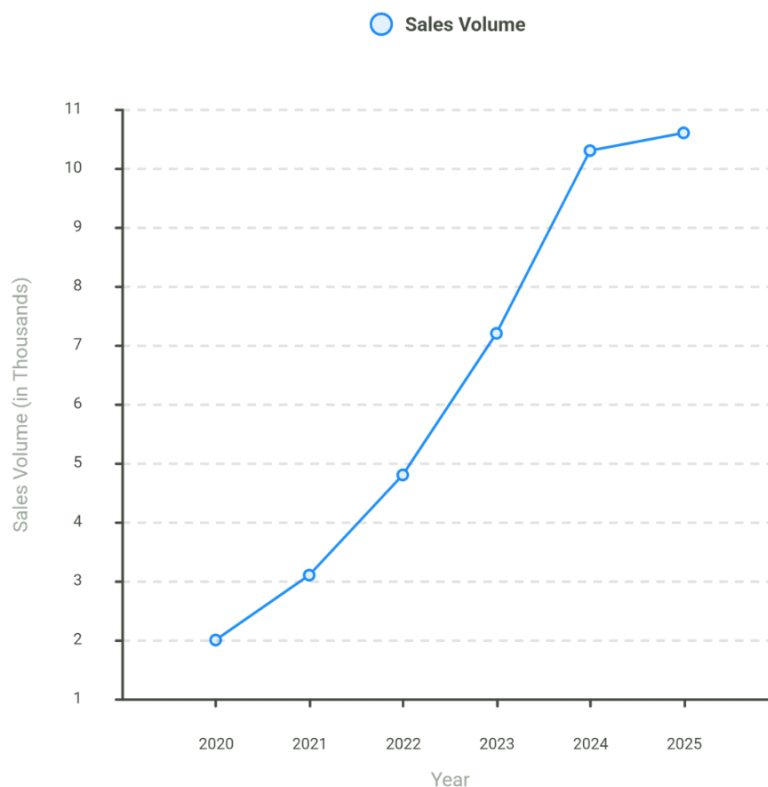


Dunning's OLI Framework Applied to Tesla Inc. in Japan (Author's Own, adapted from Dunning, 1988)

Applying Dunning's OLI framework (Dunning, 1988), Tesla's ownership advantages include advanced battery technology, vertically integrated EV design, Full Self-Driving (FSD) programming and over-the-air software upgrades. Location advantages include the emerging upscale EV market, tech-savvy customers and Japan's role as a gateway to the Asia-Pacific. Internalisation advantages stem from wholly owned subsidiary status, allowing control over technology, pricing, customer data and brand positioning all vital in a market where reputation is built slowly and easily damaged.

Tesla's Japan Market Performance

Tesla demonstrates consistent growth in Japan's market, with significant acceleration observed towards 2025.



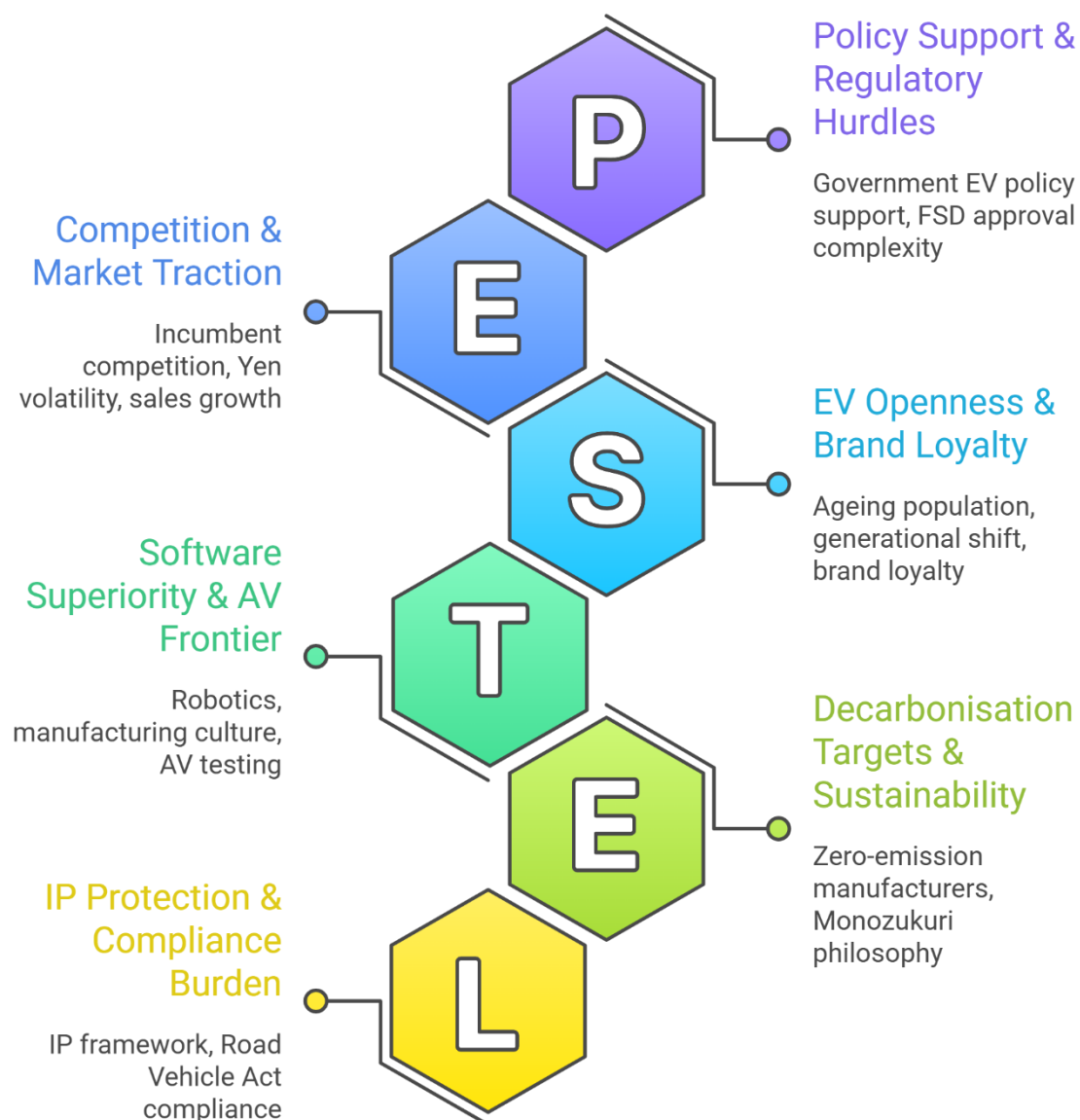
Tesla Inc. Sales Volume and Year-on-Year Growth Rate in Japan, 2020–2025
(Author's Own, adapted from Nikkei Asia, 2025; Tesla, Inc., 2025)

4.2 Political Factors

Japan has an open FDI policy, with no major restrictions on the ownership of wholly owned foreign subsidiaries. The Green Growth Strategy (METI, 2022) promoted by the Ministry of Economy, Trade and Industry (METI) allocates funding for charging

infrastructure, batteries and consumer incentives, and its goal to end the sale of internal combustion engine vehicles aids Tesla's EV lineup. However, there is a significant balancing act between Japan's EV promotion strategy and the need to safeguard the competitive position of its automotive industry. Tesla's planned FSD testing, beginning in August 2025 (Tesla, 2025), on Tokyo's public roads further complicates regulatory affairs: Japan's autonomous vehicle policy requires approval by the government at each incremental capability level, disadvantaging foreign players relative to established players with regulatory experience

Tesla Inc. PESTEL Analysis - Japan

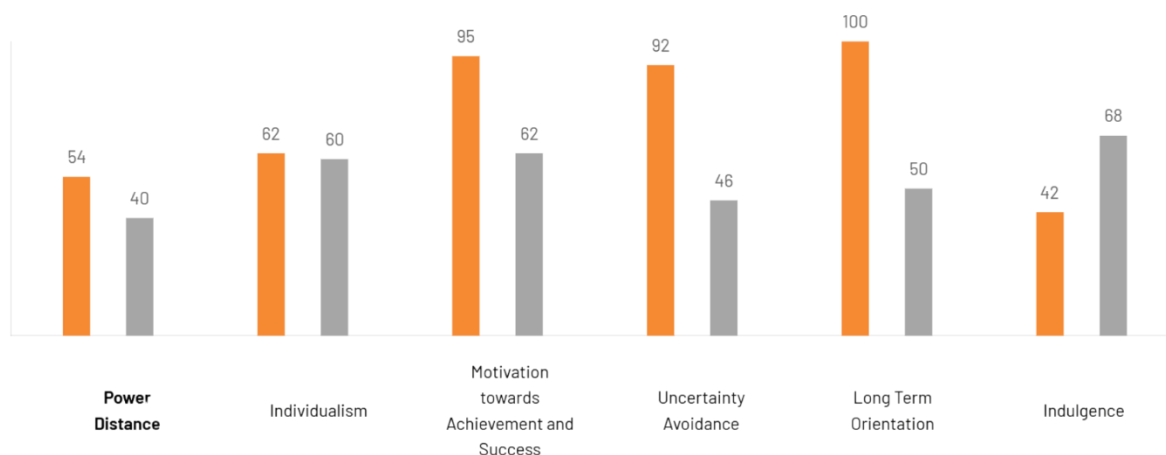


4.3 Economic Factors

Japan has the third-largest nominal GDP (World Bank, 2024), estimated at 4.2 trillion USD. Tesla must compete with established brands Toyota, Honda and Nissan, with decades of market share, national dealer networks and economies of scale that Tesla could not hope to build in a time frame meaningful to its business. Fluctuating Yen presents a pricing risk: Tesla's USD-denominated prices are more expensive to Japanese buyers as the Yen depreciates - a risk that Japanese-produced vehicles do not carry to the same extent. Nonetheless, the almost 100% growth to over 10,600 sales in 2015 (Nikkei Asia, 2015) demonstrates clear and burgeoning demand.

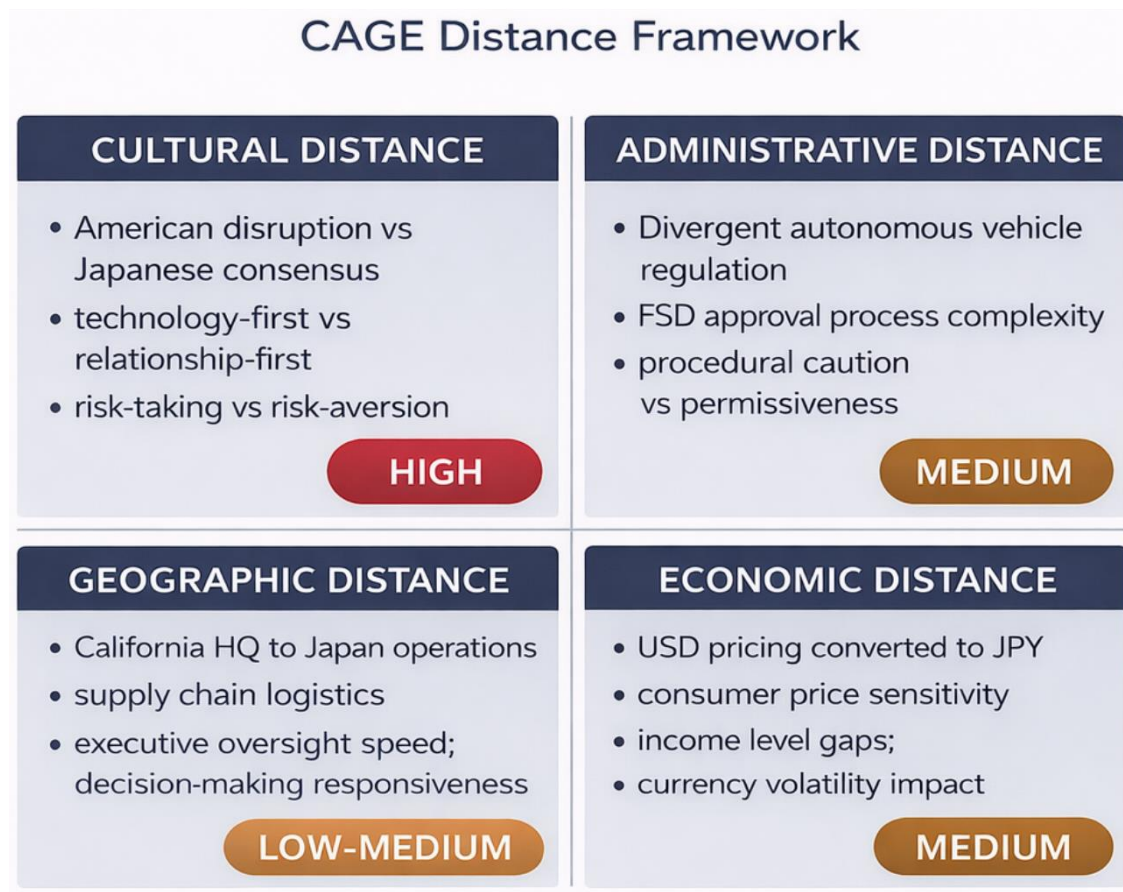
4.4 Social and Cultural Factors

Demography and fertility are affecting consumer behaviour. Younger and urban Japanese consumers are more open to online direct-to-consumer models of business and are also more environmentally sensitive, which is driving the growth of zero-emission vehicles (World Bank, 2024). But, brand loyalty among older consumers, due to decades of trustworthy relationships with domestic manufacturers, is a social, not price, barrier. This is compounded by the Japanese culture, analysed via Hofstede's cultural dimensions (Hofstede, 1980; Minkov and Hofstede, 2011) and the CAGE Distance Framework (Ghemawat, 2001).



(Hofstede's Cultural Dimensions Comparison: Japan vs United States (Source: The Culture Factor, n.d.; adapted from Hofstede, 1980; Minkov and Hofstede, 2011))

Japan's uncertainty avoidance index of 92 has clear product implications: Japanese consumers are averse to new risk and prefer to purchase products and using processes that have been socially validated. Tesla's FSD computer, software upgrades and direct sales model are a radical departure from the traditional car purchase process, and present product acceptance problems that are cultural in origin and difficult to overcome through price. Tesla's mall strategy is an analytically savvy approach that puts the product in a trusted environment to reduce risk. Japan's 88 on long-term orientation is also significant: customers and partners prefer long-term thinking organisations. Tesla's mall presence, Supercharger network to expand to 1,000 stalls by 2027 (Tesla, 2025) and regulatory ambition for FSD is a form of credible signalling of long-term commitment. Japan's high 92 Uncertainty Avoidance score implies that Japanese consumers not only purchase a car but also a service relationship that demands social endorsement. Tesla's initial online-only sales strategy created an emotional distance that was uncomfortable for traditional Japanese consumers, as it did not incorporate the personal reassurance and exceptional hospitality that is an integral part of the Japanese buying process. Through its increased presence in major malls, Tesla is in effect trying to overcome this disconnect. This approach normalises its revolutionary technology in a low-risk mall environment, thus minimising the risk of switching from Japanese brands to a foreign innovator.



(CAGE Distance Framework Analysis: Tesla Inc. (USA) to Japan Market (Author's Own, adapted from Ghemawat, 2001)

From the CAGE framework (Ghemawat, 2001), cultural distance requires Tesla to refocus on reliability, quality and sustainability, matching Japanese consumers' concern for quality uncertain. Administrative distance is Japan's process-based approval process for autonomous vehicles. Geographic distance is relevant for decision making and supply-chain agility. Economic distance requires local price adjustment due to constant Yen depreciation.

4.5 Technological Factors

Japan's robotics industry, perfectionism and electronics industry demands that Tesla's autonomous software stack does more than innovate: it must be proven superior (METI, 2022). FSD road testing in Tokyo from August 2025 (Tesla, 2025) places Tesla at the forefront of autonomous technology adoption in a highly technologically critical market. Yet, the accelerating electrification investments of Toyota, Honda and Nissan

each with extensive domestic R&D and Keiretsu supply chains mean Tesla's technology advantage is not sustainable. Tesla's Supercharger infrastructure is a key advantage under Dunning's OLI model, as it enables the firm to avoid the poor quality of local third-party charging infrastructure in rural Japan. In a country where Factor Conditions are constrained by a complex electricity network and expensive land, Tesla's choice to own the charging network reduces the perceived risk for consumers who are culturally leaning towards technology obsolescence. In addition, Tesla can leverage the concept of Software Defined Vehicle to provide over-the-air updates, which resonate with the Japanese customer's yearning for Kaizen or continuous improvement. This techno-ecosystem effectively diminishes the Geographic Distance in that the vehicle remains an always connected product, irrespective of distance from a service station.

4.6 Environmental Factors

Japan's Ministry of Economy, Trade and Industry's (METI) Green Growth Strategy creates binding emission reduction targets for transport, institutionalising zero-emission producers through providing a road map for electric vehicles. This institutional framework is conducive to Tesla's electric vehicle line-up. In addition, the Japanese corporate culture, with the support of Monozukuri philosophy's emphasis on socially and environmentally sustainable production, favours sustainability as part of the Coexistence of Humanity and the Earth. While Tesla's green marketing plan is obviously aligned with these objectives, it needs to be adapted to avoid Western individualistic marketing. Japan's score of Uncertainty Avoidance and Long-Term Orientation suggests that environmental marketing should focus on collective behaviour and long-term sustainability of green technology. Sustainability messages emphasising local environmental issues and social proof will assist Tesla to overcome Cultural Distance and institutionalise the credibility necessary for success.

4.7 Legal Factors

Tesla's battery technology, FSD software, and over-the-air updates are well protected in Japan's intellectual property environment, which is as rigorous as the US and Western Europe and more consistent than several other markets in Asia where IP protections have previously been less reliable (World Bank, 2024). But the Road Vehicle Act approval process is an impediment for foreign entrants not enjoying the

regulatory relationships of established manufacturers. The challenge with the Road Vehicle Act is a test case for Tesla's institutional savvy in a highly bureaucratised and risk-averse environment. The Japanese government's aversion to risk-taking and preference for gradual testing and certification of autonomous driving technologies results in a regulatory bottleneck that is absent in the more open regulatory environment of the US. This implies that Tesla's sales success will depend on the extent to which it aligns its global worldview to Japanese legal process. As such, it must shift from a technology-centred to regulatory- and future-proofed mindset to successfully commercialise its Full Self-Driving software. The initiation of FSD testing (Tesla, 2025) by Tesla demonstrates readiness to do so. Strong IP protection is a real strength; regulatory complexity of autonomous vehicles is a significant impediment to monetising Tesla's most strategically distinctive asset.

Ghemawat (2001) notes cumulative multi-dimensional distance significantly raises operational complexity and Khanna and Palepu (2010) demonstrate that MNC success relies on institutional fluency. For Tesla, the most important strategic consideration in Japan is acquiring this fluency, gaining regulatory trust, cultural legitimacy and signals of long-term commitment to build sustainable competitive advantage from growing sales momentum.

4.8 Overall Market Attractiveness Assessment

The Japanese political environment offers Tesla a structurally supportive policy environment for the development of electric vehicles, as per METI's Green Growth Strategy (METI, 2021), offset by the political power of domestic manufacturers and the cautious approach to regulatory approval of autonomous vehicles. The Japanese economic environment is a combination of a very strong incumbent competitive environment, but also a demonstrably strong, high-end EV market, as shown by Tesla's near doubling of sales in 2025 (Nikkei Asia, 2025). Japan's legal environment provides strong IP and governance frameworks as genuine sources of operational advantage, whilst the protracted regulatory approval process for FSD implementation is a significant barrier to Tesla's most distinctive strategic capability. Japan's cultural environment, with very high uncertainty avoidance and a long-term orientation, demands substantial investments in trust, brand localisation and relationship building to reduce cultural barriers to market entry.

Japan is a strategically promising but institutionally challenging market for Tesla. Ghemawat (2001) indicates that the compounding effect of multi-dimensional distance significantly raises the complexity and cost of global market operations, and the combined Cultural, Administrative, Geographic and Economic distances between Tesla's US home environment and Japan's market environment demonstrate that institutional fluency rather than product differentiation will be decisive in supporting Tesla's commercial success. Khanna and Palepu (2010) confirm that long-term MNC success in complex institutional settings requires institutional fluency in the formal and informal institutional rules that shape market operations, supplier and regulatory relations, and consumer trust. A critical integration of PESTEL and CAGE frameworks shows that Tesla's desirability in Japan is stymied by a "Legitimacy Gap" instead of a "Product Gap". The Economic Factors of Yen fluctuations pose a pricing challenge, but the real challenge is the incompatibility between Tesla's pure-play EV business model and Japan's Multi-Pathway industrial policy, favouring hybrid and hydrogen vehicles. Tesla will need to do this by reframing its products as an energy solution rather than a transport solution. Through collaboration with local related and supporting Industries in the renewable energy sector, Tesla can gain the cultural legitimacy required to compete against local players such as Toyota. The key to success will be Tesla's ability to transform its American disruptive spirit into globally accepted innovation that acknowledges the process-based nature of Japanese business culture. The most important priority for Tesla in Japan for the next five years is the cultivation of institutional fluency: the regulatory and cultural alliances, and signalling of long-term market commitment, that will translate the momentum of Tesla sales into sustainable competitive advantage.

5. Conclusion

Porter's Diamond Model shows the automobile industry in Japan to have historically enjoyed a strong and self-reinforcing national advantage system, based on superior factor endowments, advanced domestic demand conditions, integrated domestic support industries and fierce domestic competition that has resulted in Japan's dominance of the global automotive industry for decades. But the model's key weakness is its failure to theorise relational institutional structures like the Keiretsu network as integral sources of advantage, and its static form limits its ability to analyse

industries in rapid technological transition such as electrification of the automobile industry.

Tesla's Japanese venture offers a nuanced and well-balanced strategic profile across all four PELC dimensions. Politically, the Green Growth Strategy of the METI provides structural policy support for Tesla's EV strategy, though an industry protection mindset results in regulatory uncertainty. Economically, strong local competition and Yen weakness combine to present ongoing structural challenges, while Tesla's near doubling of Japanese sales in 2015 also reveal tangible and growing momentum. Legislatively, Japan's strong IP protections offer Tesla significant security for intellectual property, while the certification process for autonomous vehicles presents significant barriers to FSD commercialisation. Culturally, Japan's high uncertainty avoidance and long-term orientation require patient investments in brand building and trust management which cannot be expedited through commercial strategies.

Japan's existing national competitive advantage and disruptive innovation are in a state of unresolved tension within the automobile industry. Ultimately, Tesla's success in Japan will depend not just on product innovation, but also on its ability to build the institutional, cultural and regulatory credibility and trust to position itself as a long-term, trusted member of one of the most challenging automotive markets in the world.

Part 02: Reflective Account using Gibbs Reflective Cycle (Gibbs, 1988)



Gibbs' reflective cycle (Adapted from Gibbs, 1988)

Description

This reflective account is on the research and analysis process for the International Business Concepts report on Tesla in Japan's automotive industry. A total of three country-industry-firm combinations were considered. India's pharmaceutical industry was the first considered but then dismissed because it was difficult to find a foreign MNC with enough information about its operations and an EV-related narrative. China's automobile industry was also dismissed, given state intervention would have skewed the application of Porter's Diamond beyond its theoretical limits. Japan was chosen on three criteria: the remarkable availability of reliable data from JAMA, World Bank, Tesla annual reports and Nikkei Asia; the ready applicability of all the required frameworks to the Japan-automobile-Tesla setting; and the contemporary strategic

importance of Japan's role at the crossroads of traditional automotive excellence and EV transition.

Feelings

The first feeling for this assignment was the realisation of the complexity of analysis that demands to work with multiple theoretical frameworks without being a prisoner of any of the individual frameworks. The initial research stage produced a feeling of cognitive discomfort, where information was not lacking but rather the process of filtering content for its analytical validity was at stake.

The realisation that the key to analysing Japan's uncertainty avoidance score (92) was the most significant breakthrough. Suddenly recognising that this one cultural dimension explained the Japanese consumer's reluctance to adopt Tesla's direct sales model and over-the-air software upgrades more accurately than any economic factor turned the analytical framework from a scholarly chore into an insightful tool. Again, intellectual discomfort was experienced when Porter's Diamond was questioned, a model from previous study that was relatively unquestioned. When it was subjected to formal critique and its Western bias and static approach revealed as an analytical weakness, it required a rather heroic scholarly effort to move from an intellectual posture of blind respect to one of active critical analysis, which was ultimately satisfying.

Evaluation

The most successful analytical choice was the order of frameworks: establishing Porter's Diamond before attempting the PELC critical evaluation ensured the structural features of the Japanese automobile industry were theorised before Tesla's specific strategic challenges were brought into the analysis, thus avoiding a simple list of market entry observations in the critical analysis.

The most difficult decision was to operationalise the CAGE Distance Framework without repeating the analysis provided by Hofstede's dimensions. The solution to this, however, was a structural one: Hofstede's analysis theorised the specific psychological and behavioural attributes of individual Japanese consumers, whilst CAGE cultural distance was used to explain the organisational and communicative divide between Tesla's American model and Japan's consensual organisational

culture, thus allowing both analyses to generate independent insights without replicating each other.

Analysis

The key insight for me came from the combination of Porter's Diamond and Khanna and Palepu's (2010) institutional voids theory. Using Porter's Diamond, it became apparent that the Keiretsu network, while arguably fitting under the related and supporting industries determinant, operates on principles of trust, reciprocity and relational governance that cannot be fully explained by Porter's market-competitive logic, a fact not fully appreciable in the abstract, but rather in application. Gibbs (1988) defines the analysis stage as requiring progression from description to explanation of why certain tools were more helpful than others. Identifying Porter's Diamond as invaluable as a structural organising tool and inadequate on its own to explain Japan's competitive practices is symptomatic of the tension in Level 7 postgraduate study.

Conclusion

Three significant learning outcomes for international business strategy resulted from this assignment. First, advanced industrial markets like Japan pose institutional complexity to foreign MNCs that cannot be explained just in terms of economic distance: cultural, legal and relational institutional factors impact on market access and competition in a way that warrants specific attention. Second, the combination of theoretical frameworks - Porter's Diamond, PESTEL, CAGE, Hofstede and Dunning's OLI - in this analysis yielded insights not possible with any one framework, demonstrating the utility of an "integrative" as opposed to "sequential" approach to framework deployment. Third, and most importantly to me, the assignment revealed that critical thinking at the postgraduate level demands that one challenge, not just apply, influential frameworks.

One specific and named weakness in this analysis must be noted: the report was limited to publicly available data; Tesla Japan's pricing setting activities and FSD regulatory discussions with Japanese authorities, and the subsidy claim process for specific vehicles, are not publicly reported. Some elements of analysis are thus inferential rather than evidentially supported, and primary research access to Tesla's regulatory submissions to Japan's Ministry of Land, Infrastructure, Transport and Tourism would have provided greater evidential support.

Action Plan

This assessment highlighted three areas for improvement in putting my future efforts. The first development priority identified through this assignment is deeper and more systematic engagement with institutional theory as applied to advanced and complex market entry strategy. A better engagement with institutional theory is needed in examining complex market entry. Although the Khanna and Palepu (2010) concept of institutional complexity was successfully applied, it was constrained by time. Future analysis would benefit from a more extensive engagement with their model of institutional voids, as well as other literature on Multi-National Corporation's strategies in complex institutional environments.

Second, the study should include more primary data sources. While reputable secondary sources such as JAMA, World Bank, Tesla reports and Nikkei Asia were consulted, primary sources such as regulatory documents, METI policy papers and Tesla communications in Asia would enhance the level of empirical detail.

Finally, the depth and volume of available literature on Japan's automotive EV transition made this boundary genuinely difficult to establish during this assignment, resulting in a research phase that extended beyond what was strictly necessary and compressed the time available for iterative drafting and critical refinement. There is a need for improved research methodology. For instance, setting research completion criteria and scope boundaries can avoid excessive research time and facilitate drafting and analysis.

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