

The Global Business Environment

Assessment 1

Tesla

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Introduction

This report is analysing Tesla's activity in domestic and international markets. It analyses the micro and macro environment by using an array of theoretical models such as PESTEL, SWOT, Porter's five forces and Porter's diamond.

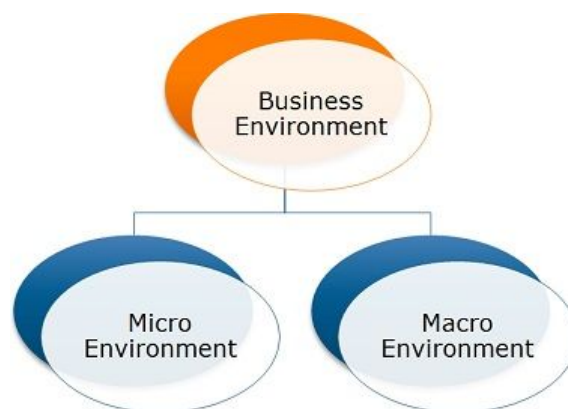
Tesla

Tesla Inc. known before as Tesla Motors operates in the electric car industry. It was founded by Eberhard and Tarpenning in 2003 who intended to develop the electric car industry and the global market. The engineers needed financial resources and for that purpose they started a collaboration with Elon Musk who later became CEO of the organisation. Tesla had a successful activity and became the most valuable automaker from America in 2020 with one million of electric cars produced (Boudette, 2021).

Innovation and pioneering is defining for their business model and the organisation receives great praise for producing environmental friendly electric cars. The organisation itself stands for having as motivation the reduction of global carbon emissions (Baer, 2015).

Research and development is the main focus because of the nature of the business activity and that led to many new technologies. It was produced different alternative sources of power such as batteries and solar power. Their electric cars use batteries that can be charged at special charging units. Another focus of the company was self driving technology and they developed Autopilot and other new technologies (Lambert, 2018).

Microenvironment and macro environment



Organisations can not exist in vacuum and are part of the business environment such as microenvironment, and macro environment. The microenvironment refers to the environment near

the organisation that affects directly the organisation and the macro environment refers to the general business environment at large. The microenvironment includes the organisation, its customers, competition, suppliers, marketing intermediaries such as distributors, retailers, wholesalers. The tool of analysis used is usually SWOT. The macro environment can influence decision making process within the organisation, its performance. This forces can not be controlled by the organisation and relate to political, economic, socio-cultural, technological, environmental and legal. The tool of analysis used is usually PESTEL. The understanding of the business environment and the influence of the forces is essential for the business activity.

PESTEL analysis

Political factors

Tesla is an international organisation present in different countries and its activity could be affected by the political climates of each country. Because Tesla produces electric vehicles, it relies on electricity more than traditional fuel which can pollute the environment. Some Governments are getting involved in the development of the industry and give incentives to the customers and the possibility of a specific tax credit if they use a an electric car.

Economic factors

The rapid development of the electric car industry has been a boost to the global economy especially between 2016 and 2017. The development of the industry has also led to a more cost-effective products offer making the electric vehicles more accessible for ordinary customers. The economic growth was in accordance to the local economy of each country and their involvement.

Social factors

Tesla is perceived by customers as luxurious brand due to the innovative technology and they are attracted by that. Also the element of contributing to creation of a better environment by driving an electric car is also a shaping factor for the industry. The idea of renewable energy has become very popular among the society and Tesla is contributing to the development of the market.

Technological factors

Tesla is a very innovative producer where technology plays an important role. Their electric vehicles include different new technologies and gadgets that give them competitive advantage. Other organisations and big players such as German car producers had their own features to electric cars, but Tesla's technology enhancement stands up within the industry.

Environmental factors

Tesla's activity operates within strong principles related to protection of the environment. It is involved in different programs towards climate protection and is a direct supporter of the initiatives

towards a controlled used of resources issues. From the point of environmental factors Tesla is expected to grow as its products are considered to be sustainable for the future.

Legal factors

The legal factors depend on the country where the business operates. Tesla has to respect all the legal requirements for each market it enters. Legislation that regards the automobile standards can differ form country to country. Tesla owns patterns related to their technologies and it promotes its activity overseas (Ahmad, Khan, 2019).

SWOT analysis

<u>Strengths</u> Innovative products Product differentiation strategy Diverse product portfolio Strong CSR activity Strong marketing policies	<u>Weaknesses</u> Single source of supply of cells for battery New technology can be risky as it needs extensive testing Limited experience with new products
<u>Opportunities</u> Market growth Governmental implication in reducing pollution Environmental focus on reducing emissions and fossil fuel usage	<u>Threats</u> Brexit Pandemic Limited network for distribution and suppliers Competitors

Strengths

Tesla has developed a unique brand name in the electric car industry by producing innovative technologies and by adopting product differentiation strategies. Tesla is an established brand even if it can be considered quite a new company in comparison with other giants form the automotive industry that have a long history.

Society has become more aware of the impact of combustive drive cars and pollution in general on reducing fossil fuel usage and Tesla is an establish player that can meet the customer demand. It has a strong leadership that is visionary who was able to develop in America a channel of hundreds of stores across 26 states (Stevens, 2020).

Tesla has developed more diverse product in their portfolio related to energy supply and storage, solar and electrical, electric vehicles.

Weaknesses

Leadership in Tesla had been criticised at times for the extremist way of action with the business ending up under investigation and that can continue to be a weakness if is not properly managed (Business Insider, 2019).

It has been proven that the limited experience in the new technologies as new technology can be risky as it needs extensive testing. Consumer Reports had retracted their recommendation towards Tesla after there were reported problems with some of their cars (Jones, 2018).

Opportunities

The organisation has great opportunities related to the development of the industry and the positive perception on the sustainability of Tesla's products. Many customers would look at having an electric car instead of a fossil fuel car because of its benefits towards the environment, but also of the status and the comfort given by diverse gadgets.

Tesla still has a limited presence around the world and entering new markets can be an opportunity for growth. This would be more easier if more Governments would support the industry and give incentives and other support to the customers who would choose to drive an electric car.

Threats

Tesla has high operational costs and invests greatly in research and development and that can be a threat to the organisation and end up in debts. This can also affect the shares value. Another threat for Tesla is the competition who can create similar features for electric cars that Teslas offers. Targeting the same segment as Tesla can mean less business for the organisation. The problems and lawsuits for various manufacture flaws had been challenging for Tesla and that is a threat for the image of the company (Inside EVs, 2020).

The technology of Autopilot that Tesla is developing lacks proper regulations and that can be a threat as at one point it can limit or impact the business activity with customers being reluctant to buy it.

The erratic behaviour of Elon Musk can be a threat for the organisation as it has been observed in the past (Strauss, Smith, 2019).

Brexit and Pandemic are current challenges that all business have to deal with and Tesla has also been affected regarding the workforce and temporary closed stores.

Porter's five forces

Threat of New Entrants

The electric car industry is quite competitive and in order to offer affordable vehicles and maintain quality it should be realised economy of scale. Developing new technology can be also very costly and new entrants can find that very difficult. Due to the cost of the operations, entering this industry can be quite difficult. Also the legislation and Governmental regulations can be very demanding. Therefore the threat of new entrants can be considered weak as it involves high costs for research and development and manufacturing. It also involves high costs for developing a brand image that can be trusted as cars need to be safe and reliable.

Bargaining power of suppliers

Tesla collaborates with many suppliers and it needs to be reliable. The bargaining power of suppliers has a moderate force because suppliers have a limited control in distribution and sale of Tesla products. Also the suppliers are moderate in size so Tesla does not have a major supplier who if interrupted collaboration that would not be the end of production for Tesla.

Bargaining power of buyers

Tesla has a priority in creating customer satisfaction through high levels of comfort for their electric vehicles. Tesla products are iconic and there is a moderate alternative products offer and that is why the bargaining power of buyers is moderate. Because the price of a car is quite high there is a low volume of purchase per customer and that makes the force weak.

Threat of substitutes

There are other competitors in the electric cars industry that offer similar features, but not many of them can offer new technologies such as Autopilot and other gadgets that the organisation is proud of.

Intensity of Competitive rivalry

The industry can be quite competitive as there are strong players with great capabilities. Also not many competitors can perform like Tesla, but technology evolution happens at a very fast pace and that is something Tesla needs to consider from competition. From this point it can be considered to be a strong force as there is high aggressiveness between competitors, but from the point of the low number of competitors it can be considered a weak force.

Porter's diamond

This model helps towards the evaluation of Tesla's competitive advantage. This theoretical model presents interconnected elements such as firm strategy, structure and rivalry, factor conditions, demand conditions, related and supporting industries.

The factor conditions are developed by the country at a large level and the infrastructure in America has been favourable to the business growth. The natural resources are benefiting the industry. The capital resources are available for Tesla through equity capital resources and debt financial resources. The human resources for Tesla require expertise and high level skills for some of the operations. Tesla is training their people at international level. Scientific knowledge in Tesla is imperative due to the business type and technological innovation has a great importance. Infrastructure represents Tesla's physical stores and all the other elements related to the business operations, which for Tesla are globally engaged (Young et al, 2020).

The related and supporting industries refers to the competition which is beneficial for Tesla because it pushes its limits to surpass challenges and to achieve new heights. The related industries have contributed to the business growth such as raw materials and other materials required, creating support in domestic and international markets.

The strategy, structure and rivalry refers to the leadership and managerial structure. Tesla's organisational culture towards innovation has led to great technological results. The visionary leadership in Tesla has determined growth and expansion (Risen, 2014).

The Government has been a favourable influencer for Tesla because it had the support towards reducing the pollution and the existing concerns over climate change worldwide. It also helped the business with infrastructure and other benefits for their developmental plans. The industry regulations ensure consistency of quality of their products.

Demand conditions represent the events that influenced the organisational success and the demand for Tesla's products. America has been an important market for Tesla which helped the growth of the business and further that to expand to international markets. A market of this size has helped Tesla to understand the demand of such large market and to utilise resources to create a unique brand.

In conclusion Tesla had benefited of favourable elements to grow and expand operations internationally, because of its visionary leadership, of the support industries, of the domestic market demand and of the positive pressure from competition to push the limits and be innovative.

Conclusion

The analysis realised on Tesla's activity as an international player had been indicated that although it operates on a niche segment, there is demand for their products, batteries or electric vehicles. This is also supported by some Governments worldwide as the society is worried about climate change and an organisation like Tesla represent the future for alternative sources of energy.

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