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A Strategic Analysis on Tesla

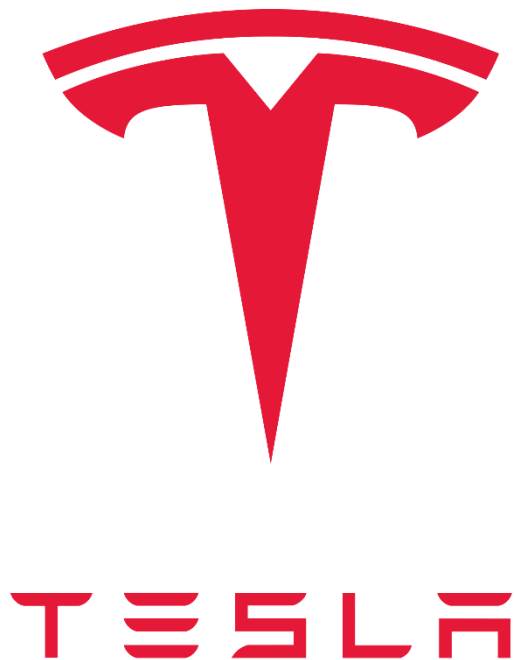


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EXECUTIVE SUMMARY

Tesla Inc. was selected as the subject of this report. The report that follows will be broken up into several chapters and subtopics. The most valuable automotive brand in the world Tesla, is a well-known manufacturer of electric vehicles. Tesla employs incredibly original business practises to achieve and maintain success. This research aims to offer a thorough analysis and highlight the benefits and drawbacks. The report will then try to offer suggestions based on the analysis to try to resolve problems that have come up or might come arise in the near future.

The report's scope and format will be described in the introduction. Additionally, this study clarifies the often used strategic and management terminologies. The brand is then thoroughly introduced, including its history, attributes, and other information. Beginning with a SWOT analysis of Tesla, chapter four identifies all of its assets, such as its fully automated production lines, and weaknesses, such as problems with build quality. Similar thorough evaluations of PESTLE and the Ansoff Matrix were conducted. These analyses exposed the organization's little-known facts and problems. The findings and summarised information derived from the analysis were then included in the conclusion. The Ansoff's Matrix made economic elements clear that were otherwise brushed over in internet sources.

All of the aforementioned factors combined to produce recommendations that suggest a focus on more economical models would be advantageous to both the business and the customers. In order to boost revenues, direct delivery systems can be phased out in favour of franchises and global distribution.

CHAPTER I: INTRODUCTION

The organisation chosen for this study is Tesla Inc. Tesla is an American electric car manufacturer founded in 2003. Austin, Texas serves as the corporate headquarters of the American automotive and clean energy business (Coursehero, 2022). Outside of automobiles, Tesla creates and manufactures solar panels, solar roof tiles, residential and grid-scale battery energy storage, and other associated goods and services. With a market value of more than \$578 billion (18th Nov) (Ycharts, 2019), Tesla is one of the most valuable companies in the world and continues to be the most valuable automaker. Tesla has been chosen in this study to understand the strategic points using multiple analysing tools.

Key definitions in strategic management such as, Strategy, Strategy Management, Strategic Objectives have been elaborated upon in chapter 2. A few strategic analysis tools utilised in this report have been defined briefly as well.

The analysing tools used in this report are the SWOT analysis, PESTLE analysis and the Ansoff Matrix. Each one of them have been utilised to provide an in-depth analysis on the various aspects of our chosen organisation.

Following the analyses, a conclusion has been written down which summarises the entirety of this report and Chapter III particularly. This is followed up by recommendations that have been highlighted during the analysis and leans towards offering solutions to issues that might be observed during previous stages.

CHAPTER II: DEFINITIONS

2.1 Strategy

Gregory Dess defines "strategy" as the ideas, decisions, and actions required for a corporation to succeed. (Dess, 2019) Similar to this, Johnson and Scholes claim that an organization's use of resources and competencies to gain an advantage in a changing environment while still trying to meet stakeholder expectations is referred to as "strategy." Strategy also refers to an organization's long-term focus and direction (Johnson and Scholes, 2006).

It was similarly characterised by Michael Porter. The heart of any strategy lies in the activities taken to complete tasks in a special way or in a way that is different from that of rivals. Without a strategy, all that is left is a marketing slogan that cannot compete. (1996, Michael E. Porter). A few years later, he added that whereas more advanced types of computation base their calculations on distinguishing commodities and services, more basic types of computation depend on factor (input) costs. This ultimately results in a distinct competitive posture against rivals (Michael E. Porter, 2000).

A company's strategy determines its long-term course. The term "strategy" was initially used to denote a new political and military leadership role in the city of Athens in the sixth century BC. Agein, which meant "to lead," and stratos, which meant "army stretched out over the earth," were combined in it (Whittington et al, 2020).

2.2 Strategy management

Strategic management refers to the evaluations, decisions, and activities a company takes to create and preserve competitive advantages. Dess asserts that the strategic management of an organisation requires three ongoing processes: analysis, decisions, and actions. Additionally, a

crucial element of strategic management is being cognizant of efficiency and effectiveness trade-offs (Dess, 2019).

According to Tucci, as a result of changes in the business environment, firms will need to regularly reevaluate their success strategies (Tucci, 2022).

2.3 Strategic Objectives

Strategic objectives are statements of intent that help a corporation create a broad vision, set goals, and specify practical steps it may take to achieve the desired result. The most effective way to achieve a strategic objective is to use statistics or other quantifiable data to measure it. Businesses set strategic goals to further their corporate vision, harmonise their objectives, and have an impact on decisions that affect daily productivity at all organisational levels (Indeed, 2022). Usmani asserts that the strategic objectives of an organisation form the foundation of its strategic plan. They provide a business with direction and make decision-making easier (Usmani, 2022).

Additionally, Peter Drucker, a management expert, identified eight broad categories for strategic goals:

1. Profitability, which includes strategies for attaining economic growth.
2. Financial resources, identifying capital sources, and putting them to use.
3. Market position, which includes how well the company is performing in both its current and possible future markets.
4. Innovation in both new goods and services and the techniques employed to deliver them.
5. Productivity and planning how to employ external resources in relation to output.

5. Physical resources, such as modernised equipment and infrastructure, and how they will improve performance.
6. Human resource management, including employing and educating workers to meet the goals of the business.
7. Social responsibility, which includes educating clients and staff about how a business affects the greater group of stakeholders (Peter Drucker, 2012).

2.4 SWOT Analysis

A management team uses the SWOT method, also known as strengths, weaknesses, opportunities, and threats, to determine the internal and external factors that affect the company's and its business performance. For instance, "strengths" in the SWOT analysis refer to internal company capabilities and favourable business establishment features that are crucial for firms to achieve their objectives and deliver quality customer service (Namugenyi, 2019).

It offers "raw material," which is a summary of the circumstances both inside and outside the company. The internal conditions of the company are referred to by the terms "strengths" and "weaknesses," where the firm excels in certain areas and may fall short in others (weaknesses). Environmental factors that are not related to the company are opportunities and threats (Dess, 2019).

2.5 PESTLE Analysis

PEST Analysis is attributed to Harvard professor Francis Aguilar. He introduced a scanning instrument he called ETPS in his 1967 book "Scanning the Business Environment," which was later renamed PEST (Mindtools, 2022).

PESTLE analysis, also referred to as PEST, is a term used in marketing theories. Businesses also use this concept as a tool for monitoring the environment in which they operate or where

they plan to launch a new project, product, service, etc (Pestle Analysis, 2022). It is a detailed process of learning about external factors that could affect an organization's decisions, allowing it to maximise opportunities and lessen hazards. It addresses the six external factors that can affect an organisation: environmental, political, economic, social, and technological (CPID, 2021). A PESTLE study may be useful when assessing the risk of the impact of outside factors on a nonprofit organisation, especially if it is global in scope (Gov.uk, 2022). A PESTLE analysis can be useful for many businesses to assess current and future markets at the strategic, administrative, and project levels. PESTLE studies are often used to help decide the future course of an organization's strategic planning process (GroupMap, 2022).

2.6 Ansoff Matrix

Igor Ansoff, the creator of strategic management, created the Ansoff Matrix in 1957, which best encapsulates modern strategic thinking. Market and product diversity are the two techniques Ansoff discussed for developing business expansion strategies. (Gupta, 2018)

The following are the four quadrants of the Ansoff Matrix:

1. Market penetration: To figure out how a company can sell its goods to current customers.
2. Market expansion: Examines strategies for breaking into untapped markets.
3. Product and Development: To identify the most effective ways to enhance currently offered goods or services.
4. Diversification: This quadrant is used to analyse how to increase sales from the organization's current clients, extend into new markets with new products or services, and make acquisitions to advance. (Hanlon, 2021)

CHAPTER III: TESLA

The most well-known product of TESLA, Inc. is an electric vehicle. Martin Eberhard and Marc Tarpinning started it in 2003. Tesla has been led by CEO Elon Musk since 2008, and its main office is in Palo Alto, California. Tesla is a publicly traded corporation with an estimated profit for 2021 of \$13.60 billion, up 105.22% from 2020. (Wall Street Journal, 2021). Additionally, Tesla owns businesses including Tesla Grohmann Automation, Maxwell Technologies, and SolarCity.

After the introduction of the "Tesla Roadster," the exact vehicle that was launched into orbit by SpaceX's Falcon Heavy, Tesla gained notoriety. Tesla has been hyped as a result of this campaign and the controversies that CEO Elon Musk frequently participated in. So much so that "electric vehicles" and the name of the organisation have become interchangeable. This is completely in keeping with Tesla's mission statement: "To accelerate the global switch to electric vehicles while building the most appealing automobile company of the 21st century." By adhering to and executing their mission, Tesla has succeeded in becoming the most valuable vehicle company in the world.

"To speed the world's transition to sustainable energy," reads the mission statement of Tesla. So far, they have been effective in achieving that objective. In order to enhance their own interests and establish themselves as the sole vertically integrated sustainable energy firm, Tesla purchased SolarCity (Tesla, 2016). SolarCity and Tesla can work together to create completely integrated products for the grid, households, and companies that will improve the way energy is produced, stored, and used.

CHAPTER IV: ANALYSES

4.1 SWOT Analysis

4.1.1 Strengths

1. Despite its issues, Tesla sold 936,172 vehicles to customers in financial year 2021, bringing in \$53.8 billion in sales. Due to the increase in deliveries and \$5.6 Billion profit, the company's market value grew to almost \$1 Trillion, exceeding that of the top five automobiles manufacturers combined (Toyota, Volkswagen, Daimler, Ford, and General Motor). Tesla is currently the most valued automaker in the world, according to market estimates (Ycharts, 2019).
2. In the race for the greatest electric cars, Tesla has eclipsed all other companies. When measured by their range, Tesla's electric cars have shown to be the best at covering the longest distances. A recent analysis has Tesla in the top three for range (Coursehero, 2022). The Tesla Model S can travel up to 600 kilometres on a single battery charge. The closest vehicle from another maker is the Opel Ampera, which has a 520-kilometer range (Macrotrends, 2020).
3. Tesla shipped 936,172 vehicles in 2021, up 87% from the previous year. Tesla did brilliantly in 2021 despite the supply chain issues and the shortage of chips (Korosec, 2020).
4. Tesla innovates remarkably fast (not to mention the most recent creations of the first purely electric semi-truck and a brand-new sports car). Because of this, the market has faith in the business and anticipates it will develop profitable, competitive items, which inevitably brings about considerable financial advantages. InsureMyTesla is a comprehensive insurance programme for Tesla vehicles that was developed in conjunction with the insurance company Liberty Mutual.

4.1.2 Weaknesses

1. As innovation standards rise, mechanical complexity and manufacturing risk will also rise. Launches of new cars and products, as well as manufacturing and production ramp-up, are all perennially delayed by Tesla. For instance, Tesla experienced continual manufacturing issues that caused continued distribution delays when the Model X was scheduled to be introduced. Similar issues arose when the company constructed the Model X battery component assembly line at Gigafactory 1.

2. Tesla is unquestionably the creator of truly energy-efficient automobiles (vi4.ilovetranslation.com, 2022). It hasn't been able to produce many cars in large numbers in any of its versions, though. Even now, as the company gears itself to create significant numbers of Model 3 cars, it is running into issues with production costs, management resources, and Gigafactory 1 space expansion.

3. At the yearly shareholder meetings, CEO Elon Musk revealed that the production rate of batteries has slowed due to their limited supply. The scarcity had an adverse effect on the sales of electric vehicles and energy storage devices.

4. Tesla admits to being a "one-man show." Unfortunately, Elon Musk has a lot on his plate and cannot provide the company with everything it requires. Musk is also very involved in other initiatives at Space Exploration Technologies Corporation, The Boring Company, and most recently, Twitter, including space launches.

5. Vast financial resources let businesses compete for market dominance more successfully. Tesla has \$5.38 billion in unpaid debt. The risk of postponing expansion, cutting investments, and selling assets exists if the company cannot produce sufficient cash flow to pay off its debt.

6. Six Tesla employees previously filed a lawsuit alleging sexual harassment and inappropriate behaviour at work. According to the women who work there, there is a more pervasive culture

of sexual harassment (Armstrong, 2019). They also alleged that additional misogynistic behaviour, such as groping and catcalling, routinely targeted them.

4.1.3 Opportunities

1. In an effort to meet the rising demand for electric vehicles, Hertz plans to buy 100,000 Tesla cars (Richter, 2022). However, the main driving force behind such a huge purchase is to remain one step ahead of their rivals who are failing to satisfy the demand for gasoline-powered vehicles due to a chip shortage. This is fantastic news for Tesla, which has struggled to sell a sizable portion of its popular electric vehicles.

2. Tesla intends to produce all of its own battery packs (Siddiqui, 2021). Since the decision will allow the company to increase production rates while reducing prices, it might totally change the industry. Currently, their primary source for batteries is Panasonic.

3. The company's biggest current opportunity is the Asian market, which is largely untapped in the auto and renewable energy sectors. especially given that Tesla intends to increase the size of its worldwide market in order to strengthen its financial stability and market presence (ghvaladze, 2021).

4.1.4 Threats

1. Despite Tesla's strict quality control and rigorous production standards, the auto industry is accustomed to dealing with significant product liability litigation, which the company thinks would be one of the biggest financial blows. Although Tesla has released a lot of autopilot vehicles, not all of them have behaved effectively in an accident. The company has been the subject of legal actions and complaints about technological flaws in its products. If these potential claims persisted, Tesla may see worse financial repercussions (ProfitableVenture, 2020).

2. Tesla, Inc. faces intense competition from alternative fuel vehicles and self-driving technology. In the luxury and economic divisions, respectively, Mercedes, BMW, Audi, Lexus, and Toyota are among the automakers gearing up for a fierce competition. Numerous businesses have already debuted or will soon do so their ecologically friendly self-driving technology, which is also being offered at a comparable price. This is clearly a challenge to a company like Tesla, which depends on its particular value of revolutionary cars that are relatively pricey and out of many people's price ranges (Coursehero.com, 2022).

3. Due to the extremely complex engineering necessary for new vehicles, Tesla's cars and other solid fuels regularly exhibit major issues. The manufacture, design, and other flaws in the products could permanently harm the company's reputation.

4. Because there aren't enough regulations for the technology in many countries, including the US, Tesla's sales are affected by the self-driving restrictions in many locations. The complexity of this complicated legal problem makes it more uncertain what will happen to Tesla's self-driving endeavour.

5. It appears like Toyota will offer Tesla a serious competition. The Japanese carmaker declared that it would increase the output of electric vehicles with the goal of selling up to 40% of them by 2030. In a short period of time, Toyota has increased their share of the EV market (Isidore, 2021).

4.2 PESTLE Analysis

4.2.1 Political Factors

Politics could have an effect on Tesla's company in the form of government incentives, international trade agreements, and an expanding economy, to name a few. Government support might be able to help Tesla reduce its debt. In order to encourage individuals to purchase electric vehicles, the government also offers tax advantages. One state that provides

tax credits up to \$5,000 is Colorado (Kolodny, 2019). Trade agreements also give Tesla the opportunity to expand worldwide (Salzman, 2022).

4.2.2 Economic Factors

Costs of renewable resources and worries about economic stability are two examples of economic factors. Sales of electric vehicles have expanded globally as well. A strengthening economy and declining battery costs allow Tesla to create automobiles at more accessible pricing (Kolodny, 2019). Due to a drop in the cost of renewable resources, Tesla can boost the attraction of their products to customers looking for environmentally responsible alternatives. This helps to increase their margin together with a decline in battery prices (Salzman, 2022). Before entering new markets, it is essential to assess the nation's economic status and determine its stability. In a developed country, the customer will be able to acquire pricey things. Thus, there will be a sizable market for Tesla's Model S. Additionally, a Tesla Model 3 has the benefit of a lower price range, which will lead to a healthy market for it in emerging countries as well.

4.2.3 Social Factors

The popularity of low-carbon lifestyles and the growing need for renewable energy are two sociocultural factors that may have an effect on Tesla's business. A surge in the demand for renewable energy or lower carbon usage has had a significant impact on the demand for the company and its products. There aren't many vehicles available that can compete with Tesla's strength and luxury. The company has done an outstanding job of upholding its status as the producer of that electric automobiles. Other, similar autos are now having a harder time getting to the scene. Based on a tweet from Twitter Chief Executive officer Jack Dorsey, Elon Musk is actually the most intriguing and well-known figure on the social media network (Ku, 2020).

4.2.4 Technological Factors

Tesla is impacted by two technological factors: the level of automation in the industry and the rate of technological development (Salzman, 2022). The rate of technical innovation may have a big impact on Tesla. This is true because the company depends so much on it, despite the fact that continual technological developments can be harmful. Given that it invests the bulk of its funds on research & development, Tesla should be able to stay up with new developments.

4.2.5 Legal Factors

The legal considerations include international patent expansion, energy usage restrictions, and other U.S. laws (Salzman, 2022). These legal considerations can impede the company's expansion. Since direct selling is forbidden in a number of countries, Tesla will need to establish a network of distributors that consists of numerous dealers. Tesla is required to follow all applicable labour laws and take the necessary steps. Tesla recently broke the law, for instance, by harassing employees who wanted to form unions. The company is required to abide by particular manufacturing-related laws. If any of these are violated, compliance will be very expensive. It can be crucial to remove any pollutants from the system and make any modifications that new or revised regulations deem necessary.

4.2.6 Environmental Factors

Tesla automobiles are successfully marketed as being ecologically friendly due to the fact that they are entirely electric. They do follow several environmental regulations and leave a very small carbon impact. Tesla has made its reputation where few others can. Environmental factors include the acceleration of environmental programmes and climate change. Concern about climate change is widespread. This presents Tesla with an opportunity to promote its environmentally friendly products. Through environmental programmes, the impacts of

prolonged fossil fuel use on the ecosystem are also made more publicly recognised. Environmental concerns provide Tesla a wide range of possible options.

4.3 Ansoff Matrix

Tesla Motors has succeeded in its global operations and as a corporation by relying on its present strategic choices and decisions. The Ansoff Matrix is a third technique that could be used for analysis after the SWOT and PESTLE.

4.3.1 Market Penetration

The Roadster, a luxurious two-door supercar, was introduced to the American market in 2007. (despite the fact that it has been 13 years since then, it is necessary to identify a temporary strategic entry point). They were able to differentiate themselves from the competition by offering a product that was almost affordable and actually pleasurable to drive. Since then, Tesla has formally entered the electric vehicle (EV) market, offering customers sporty, high-mileage cars with top-notch performance. things that at the moment both gasoline and electric hybrid vehicles had trouble accomplishing. Tesla and Solarcity collaborated to produce and market Powerwall and Powerpack energy storage solutions as well as solar panels, inverters, racking, electrical equipment, and monitoring devices in the US and 35 other countries after finding success with vehicles (Tesla, 2020).

4.3.2 Product Development

Product development is Tesla's secondary, high-intensity growth strategy. As Tesla creates new products like autos, solar panels, electric charging points, etc., both sales of their new products and those of their existing products increase. Tesla's main objective is to develop products that enhance the technology now available while reducing their environmental impact. given that. The Tesla Roadster revolutionised the auto industry as the first electric sports car of its kind. This market disruption is what most distinguishes Tesla from their opponent because they focus

on premium EVs like the Tesla Model S, 3 and X. Because of the features of the top end EV, they provide related products like the supercharger as an added benefit for their customers. Tesla's main objective is to invest in all of their research and development for this reason (R&D). They don't just focus on the innovation of automobiles; they also produce electric vehicles, like the Tesla semi, which is a part of Tesla's "Master Plan," according to which the company wants to produce both environmentally friendly semis for the transportation of these cars as well as environmentally friendly cars with solar energy as their fuel source.

4.3.3 Market Development

Currently, Tesla sells its vehicles in developed nations like the United state of America and the United Kingdom, as well as various Asian markets like China. As a result of market development, they would increase their presence on a worldwide scale, both geographically and demographically. Tesla Motors debuted the Model S after the Roadster with a focus on the affluent, high-end consumer group that is environmentally as well as ecologically sensitive. The company executed aggressive marketing and advertising campaigns with a focus on product education and positioning as a desirable, high-quality product (Sharma, 2016).

4.3.4 Diversification

Diversification may also be perceived as a strategic undertaking for the corporation, as was shown when Tesla launched its distinctive Cybertruck pickup. This ground-breaking design is targeted at the American truck market, which is currently dominated by the Chevrolet Silverado, Dodge Ram, and Ford F-Series. It has a steel frame and 9mm shatterproof glass (Statista, 2019). With a wide selection of models, this will give Tesla a strong base on which to build their position as the industry giants for EVs. Tesla has already gotten more than 535,000 pre-orders as a result of this and an extraordinarily straightforward design and ordering process (Forbes, 2020).

CHAPTER V: CONCLUSION

This report consists of multiple analyses: SWOT analysis, PESTLE analysis and the Ansoff's Matrix.

The SWOT analysis was an in-depth study related to the various aspects of Tesla. The strengths, weaknesses, threats and the opportunities. Like every other organisation, Tesla too has its weaknesses and threats. However, they have been cleverly steering clear of the threats. So far, they have also been successful at utilising their strengths to overturn their weaknesses.

Following that, a PESTLE analysis has been completed. All the specific branches of the analysis gave a detailed study in regard to the political, legal and social factors amongst others. Most of them meshed pretty well to provide a more segmented view as opposed to a broader categorised SWOT analysis. It also allowed for other points, that were missed out in the SWOT, to be studied and mentioned.

Finally, a third tool, the Ansoff's Matrix was utilised. Ansoff's Matrix allowed us to study both, the internal as well as the external components of the organisation. This report consists of the development of the products/services offered by the organisation and the market too. It showcases how Tesla Inc. penetrated the market and has since, diversified their portfolio to include a lot more products to make it more desirable to consumers.

CHAPTER VI: RECOMMENDATIONS

Based on the analyses, this report can be used to base the following recommendations:

1. Focus all of your efforts on Model 3 production: In order to successfully and speedily fulfil the 3,73,000 pre-existing orders (including nearly 1.6 million pre-orders for the unannounced CyberTruck itself [Mihalascu, 2022]), Tesla must create a production strategy. Finance raising, production facility expansion, the GigaFactory battery manufacturing plan, training in assembly line, and integration are a few suggested actions to accomplish this goal. Peter Hotchholding, a seasoned Audi executive, was a sensible choice for production manager. It would be advisable for Tesla to contract out the manufacturing of the batteries for the Model 3 due to the Giga Factory's innovative configuration and potential extended production time. Tesla must create a strategy to carry out the aforementioned duties and reach the annual target of completing the production of 2,000 Model 3 vehicles this year due to the urgent requirement for time.

2. Tesla should evaluate its existing business approach, which is based on direct sales to customers through company-owned showrooms, in order to boost revenue and earnings. For the company to expand internationally, its business strategy needs to be updated. Tesla's "direct selling to customers" strategy is supported by the company's commitment to provide customers with excellent customer service and product information. To achieve the expansion goals, this strategy must be costly and challenging to apply in developing countries. The maintenance of the culture today in distant outlets can be ensured with training and the right partners. With the aid of a global distribution and franchising structure, they could enter new markets. Furthermore, Tesla continues to not be profitable, and big spending from development plans have made profitability extremely harder to achieve. To quickly turn a profit under the new

business model, the Model S, Model 3, automotive engineering, and other electric automotive tools all need to be aggressively offered.

3. Tesla need a comprehensive marketing strategy to promote its products effectively and boost sales of a range of goods. An internationally integrated marketing strategy would indeed be necessary to create a unified brand image matched with market- and culture-based promotions for many new and existing items. All marketing campaigns, it should go without saying, should emphasise the usage of renewable energy sources in their product offerings. It is advisable to consider Ansoff's matrix while developing a thorough marketing strategy.

4. A concentrated emphasis on battery R&D initiatives to reduce costs and increase profits: Tesla's market success and financial performance are strongly impacted by the quality and cost of its batteries. They must concentrate all of their research and development efforts on this objective in order to further improve battery efficiency and reduce battery production costs. It's essential to quickly build up Gigafactory and operate it at full capacity in order to reduce costs. Because of this, a thorough business plan that produces \$5,000,000 in annual automotive sales in addition to battery production at Gigafactory will be extremely effective.

5. Make the most of the Powerwall: Tesla's Powerwall residential battery is an excellent backup power source. This invention could be very helpful in many commercial sectors as well as homes in developing countries where reliable power supply is a challenge. Tesla needs to create a distinctive marketing and sales strategy for this product.

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APPENDIX

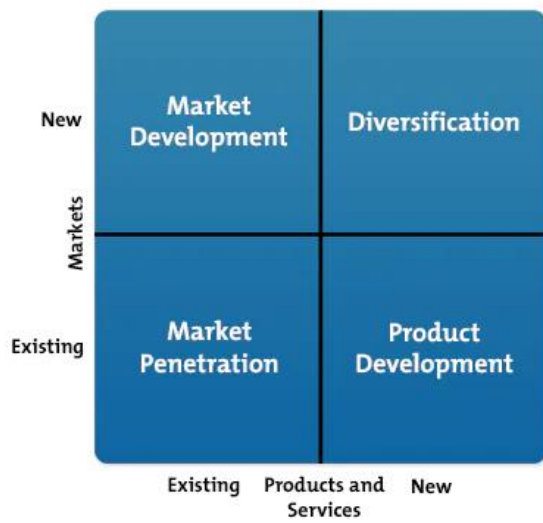


FIGURE 1 ANSOFF MATRIX [26]

