

Script/ Notes

‘Neither an organization’s leadership nor its strategies are spared in today’s VUCA world’ (VUCA-World, 2022). Leaders must adapt to the dynamic nature of business. ‘Many subscribe to the belief that the primary goal of leadership is to maximize shareholder value; their decisions determine whether shareholder value will be enhanced in the short term, the long term, or some combination of the two’ (Avery and Bergsteiner, 2011).

One sustainability challenge facing businesses is ‘increasingly limited resources’ which is ‘likely to affect business models and continuity’ (University of Cambridge, 2017). Sustainable Development Goal 12.2 is ‘by 2030, achieve the sustainable management and efficient use of natural resources’ (United Nations, 2022). Businesses such as Tesla are facing the challenge of limited resources of key materials for their products. Elon Musk, CEO of Tesla are facing external challenges in leadership. ‘Research and observations in over 50 firms around the world, including in many listed corporations, suggest that sustainable leadership requires taking a long-term perspective in making decisions’ (Avery and Bergsteiner, 2011). There is, for example, a global shortage of lithium (Reuters, 2022), a key component of Tesla’s electric vehicle batteries. The issue of shortages is not specific to Tesla. Macmillian Publishers are suffering from a shortage of ‘treated wooden pallets for European, and international orders’ (Swistun, 2022). Field (2022) highlights that Good Club have a shortage of plastic prop due to COVID-19 impacts, and cardboard for packaging is in short supply due to lack of used cardboard making it into the recycling system and pre-Brexit stockpiling by businesses, among other reasons (Hooker and Prescott, 2021). The government, however, have argued that material shortage is not currently an issue with projects such as East West Rail (Kennedy, 2021). Furthermore, some argue that shortages have been exacerbated by the use and increasing popularity of Just In Time stock control methods (Chokshi and Goodman, 2021).

The world is facing a difficult trade off. Due to increased global demand for lithium, it is expected that five times the material currently mined will be necessary to meet global climate targets (The World Bank, 2020). The mining of these materials however is arguably far from sustainable. Skidmore (2021) highlights that lithium extraction takes a ‘take a heavy environmental toll, requiring surface disturbance, mechanised trench excavation, and removal of wildlife habitats and vegetation to access the mineral’.

Avery and Bergsteiner (2011) argue that ‘the objective of sustainable leadership is to keep people, profits, and the planet in balance over the life of the firm, and in so doing ensure that the business generates the social capital needed to weather downturns’. ‘What is also significant is that sustainable leadership practices are diametrically opposed to the typical shareholder-first approach, which business schools, management journals, the media, and many practitioners continue to promote. (Avery and Bergsteiner, 2011)’. ‘Responsible leaders aim to achieve excellent outcomes for their own organizations and other stakeholders over the long term. In contrast, when a firm’s leaders manipulate short-term profit results and fail to invest resources effectively, they jeopardize the firm’s and others’ long-term future’ (Avery and Bergsteiner, 2011).

Elon Musk, and Tesla are responding to this external challenge through creativity and proactiveness (Community Tool Box, 2022). Tesla are responding to this challenge through investment in research and development on lithium extraction. In July 2021, Tesla filed a new patent on a new extraction method of lithium from clay materials (Skidmore, 2021). Tesla have purchased 10,000 acres of land in Nevada for mining of lithium, vertically integrating their business.

Whilst this method is more environmentally friendly, there is a human impact. Indigenous communities such as Paiute and Shoshone, consider much of this land to be sacred (Golden, 2021). Other methods of lithium mining have consequences such as high water usage, with one tonne of lithium usually requiring two million litres of water, which is reducing drinking water for communities in places like Bolivia, one of the countries that makes up the 'lithium triangle' (Aerocene, 2022).

If we consider the sustainability leadership pyramid from Avery and Bergsteiner (2010), Musk is building within Tesla, foundation practices of ethical behaviour, environmental responsibility and a strong vision. By investing in new lithium mining techniques, he is demonstrating the key performance indicator of strategic systematic innovation. 'Obtaining lithium from clay deposits has typically been considered too difficult and expensive, due to low recovery rates, according to Bloomberg NEF analyst Sharon Mustri' (Stringer, Lue and Bloomberg, 2020). William (2005) argues that a creative challenge, if you can 'exploit it, might lead to a major and permanent new benefit'. This innovation by Musk may result in performance outcomes such as long-term shareholder value (Avery and Bergsteiner, 2010). William (2005) argues that 'a special kind of leadership is needed to ignite the imagination of people and instil the energy, attentiveness and curiosity to create what needs to be created so that the group can transcend their prevailing paradigm and make a useful discovery'. This seems to be what Elon Musk has achieved to tackle his current sustainability leadership challenge.

To conclude this VLOG, it must be noted that Tesla do not publish and report carbon emission figures, unlike Ford and General Motors. While Musk has inspired innovation within Tesla, and begun to overcome sustainability challenges, Bansal (2021) argues that 'as much as we all love a good story of the maverick that disrupts the way we do things, we need to take a long breath before we say that Tesla is deep green'.

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