## Essay questions for an integrative business strategy class

The costs involved in the production process of EVs is what makes them more expensive than fuel cars. EVs normally require batteries as power source and storage for electrical power, these battery packs are quite pricey and need to be imported to the US, which leaves US EV makers volatile to disruptions in global supply chains.

The second biggest obstacle that the US is facing in the EV adoption process is the range of the current models of EVs. Affordable EVs, such as the Nissan LEAF, fall short of cracking 90 miles fully charged. For more power, speed and agility one would have to purchase one of the luxury EV brands such as Tesla.

Tesla is undoubtedly the biggest EV manufacturer and retailer in the US. In the third quarter of 2021 Tesla sales went up 67% compared to in 2020, while the general auto industry sales went down by 13%. (Ref-AB1CD2).

Given that Tesla already has a track record and is hailed as the pioneers of the global EV market, they simply have to keep up to current standards or improve them. To improve these standards Tesla must continue to commit to its strategy in price reduction.

The company should consider investing in building lithium-ion battery cell production facilities located in the US. This will cut the overall production times as well as give Tesla full control over the operations of their supply chain.

To solidify their position as the biggest competitors in the US EV market, Tesla must establish itself as an eco-friendly and eco-conscious brand that puts the value of human life above money. This will draw public affection and keep Tesla as the US's biggest EV manufactured for the next 10 years to come.

A cost reduction strategy that Tesla must explore is investing in its own manufacturing of custom parts and battery packs. Investing in building new infrastructure and contracting more labor staff for the manufacturing of custom parts will decrease overheads in tax levies on imports; it will decrease the assembling and production time leading to a decrease in the overall cost of the vehicle.

Another cost reduction strategy that Tesla should explore is reducing overheads in employee salaries and wages. By offering employees stock bonuses and free skills development programmes, Tesla can fairly reduce its cost on labor while radically improving its human capital.

The last cost reduction strategy that Tesla could explore is collaborating with small companies that manufacture the general parts used in Tesla vehicles, offering these companies short term contracts for their supply. Tesla could potentially buy stakes in these companies to have more direct control on the flow of the supply chain, this is known as vertical integration.

The biggest risks that Tesla currently faces are in the global supply chain. The risk of political instability in regions where Tesla has its suppliers and back up suppliers. To counteract this in the short term Tesla must make an effort to find suppliers in regions of the world that are less likely to have political turmoil, places such as Europe, Australia or New Zealand. The cost of sourcing parts from these nations will be more than from politically insecure nations. In the long term Tesla must invest in developing infrastructure that will support all manufacturing processes.

Another big risk that Tesla faces is the general public's slow adoption to EVs. This is obviously due to the high prices of EVs but also because people (except for Gen-Zs and some Millennials) are not yet fully comfortable with the idea of smart cars. The idea of a fully automated vehicle (some that can drive themselves) leaves some if not most of the adult population in the US feeling unsettled. The EV poses the threat of being hacked or reprogrammed. This cyber security risk is one that is not often spoken about but exists and could potentially be a big problem, if not for Tesla for other EV manufacturers around the world. With modern technology it is possible for one to operate almost everything on your phone, including making a call or looking up Google Maps on your vehicle all using your phone. This easy and open-system connection may be a potential for a big problem as advanced hackers could manipulate the coding on the EV and may have access to the driver's phone. The phone may be used to access bank accounts; savings and sensitive infotmatiibf that may be used against the driver. To combat this potential threat Tesla must invest in developing closed system technology that blocks any third party access to the EVs programming.

Finally another risk that Tesla should take note of and put policies in place to counteract, is the rise of competitors in the EV manufacturing and sales market. Established modest and luxury brands such as Volkswagagen, Nissan and Mini Cooper have all increased their stake in the global EV market. To counteract this risk Tesla should focus on establishing itself as a people’s brand that is more concerned about the quality of life of people and an eco-friendly brand. This along with Tesla’s popularity from being the early adopters of the EV market will catapult Tesla’s sales for the best 5 to 10 years.