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# **TESLA'S ENTRY INTO THE GERMAN AUTO MARKET: GIGAFACTORY GRUENHEIDE**

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## **Part A**

### **Introduction**

Tesla Inc as originally known as Tesla motors is one of the meeting American electrical car and sustainable energy businesses based in California. The company's current CEO and previous chairman Elon Musk projected Tesla as an independent car maker and technology business with the projection of selling electrical mode automobiles to the public on a global platform at a cheap cost. Therefore, the purpose of this report is to understand the current situation of Tesla and its effects on developing services in the German auto market.

### **Critical discussion**

#### ***Internal and external environment analysis (PESTLE)***

##### *Political*

The organisation should be aware of the rules in this particular sector by controlling the operation and activities of automobiles like full efficiency of cars, vehicle emissions safety and standard issues. The German authorities are concerned about the hazardous emissions of pollutants as per the major requirement of political factors to improve the ecological acceleration of the country.

##### *Economical*

Demographic demand of certain markets regarding issues like family structure also affects the decision-making process of buyers. Additionally, the economic scale of Tesla revealed that the electric and hybrid vehicles market grew by 14% in 2019 (Christodoulou and Cullinane, 2019). However, that metric went down a bit due to the sudden emergence of Covid-19 in European as well as the global economic situation became difficult for the motor vehicle company.

##### *Social*

The majority of people around the world are emphasising the importance of developing a better lifestyle in the wake of covid-19. Hence the priority of a modest routine system rather than using transport has become a viable option for the public. Additionally, the beneficial site of health reasons is also demanding the usage of private automobiles in this particular region

##### *Technological*

The technological advancement in automobile manufacturers has also adapted to the utilisation of alternative energy vehicles that solely runs on which rechargeable batteries.

Therefore uses of technology have improved the safety level, lowered the pollution levels and improved the energy consumption process as well (Casañ *et al.*, 2021).

#### *Environmental*

The developmental perspective of dealing with lesser emissions of the electrically driven technology used by Tesla should be managed according to the ecological values of the country. It is one of the deriving factors for the business to be considering the ethical values of the business outcomes by looking to involve fewer carbon emissions and improving greenery effects at the same time.

#### *Legal*

Based on the findings from Çitilci and Akbalık (2020), specific regional laws regarding regulations pertaining to the firm's activities such as gas emission laws, safety and standard issues should be followed by the company.

#### ***VRIO***

Competency	Valuable	Rare	Inimitability	Organisation	Conclusion
Brand	Yes	Yes	Yes	Yes	Competitive Advantage Innovative
Advance Technology/I nnovative Strength	Yes	Yes	Yes	Yes	Innovative Competitive New age process
Unique Design	Yes	yes	No	Yes	Temporary Competitive Advantage
Software update	Yes	Yes	No	No	Temporary Competitive Advantage

Distribution Network	Yes	No	No	No	Consumer-driven Competitive
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### ***Porter's five forces***



**Figure 1: Porter's five forces**

(Source: wallstreetmojo.com, 2022)

#### ***The threat of New Entry (Low):***

The capacity of acquiring new markets requires additional capital for the development of the electric car industry. Tesla's operational activities are headed by Elon Musk to maintain the effects particularly due to the high cost, the balance between performance and affordability, and brand image (Bruijl and Gerard, 2018). Hence, the motor vehicle companies in this area pose a low threat to Tesla, as the minimal strategic priority for the expansion process can be valued by them.

#### ***The threat of Substitute (High):***

The current widespread of gas-driven cars is considered the single most imminent threat to a green cars. The cost significant factor of the Tesla cars is essential for the technological evolution compared to the gas cars (Isabelle *et al.*, 2020). Thus, customers can easily switch to the rather comparatively cheap option which imposes a strong threat to Tesla's industry environment.

#### ***The Bargaining Power of Suppliers (Moderate):***

Suppliers have a moderate influence in the automobile industry, as the effects of having many suppliers for a maximum of its components and can switch easily from one supplier to another is a factor for the low bargaining power of suppliers. Hence, Tesla solely relies on specific suppliers for their production process (Gray, 2021).

#### *The Bargaining Power of Customers (Low):*

The direct factor of revenue generation by the company for a certain period of time. However, the commercial approach of the company does not allow the consumers to be able to do much bargaining and depending on the market behaviour blowing the cost helps the production as well.

#### *Competitive Rivalry (High):*

Tesla competes in the competitive market of the automobile industry. Along with these factors, the low switching costs to buy a car from the consumer's point of view can put a stronger case of higher priority in the strategic management concerned for the company.

### **SWOT analysis**

#### *Strength*

The brand image of the company is a renowned one for the consumers. Additionally, it is the best-selling electric vehicle all over the world. Production and services are superior compared to the organisation on a similar scale (Benzaghta *et al.*, 2021).

#### *Weakness*

The manufacturing complications are higher as technology interference is part of the costly functions. Dependency on the suppliers to provide services is one of the major weaknesses of an organisation.

#### *Opportunity*

The expansion process of typing into the untapped market with further implementation of technological advancement can be a way forward for the company. Further introduction of new tools like pickup trucks improve the services of the organisation effectively (Hajizadeh, 2019).

#### *Threat*

The notable threat of competition in this particular sector is the defect of services. In addition to that, liability claims of the consumer can affect the financial services of the firm massively.

### **Part B**

#### ***The impact of Elon Musk's often praised the management and corporate skills***

The management style of Elon Musk is quite impulsive, as he looks at the improvisation of profitability with a mixture of inspiring the team. The prospect of stretching team goals by challenging the status quotient of employees is part of the process that can have a measured impact on corporate functions. Micromanagement of hiring employees in a smart also provides clarity in the job role for employees (One37pm.com, 2022). Feedback to find solutions regarding better values projected to the communication functions is also mandatory to provide effective management and corporate culture in the workplace.

### ***Evaluation of Tesla's Berlin Gigafactory acceleration process of shifting to electric cars***

The most advanced high volume equal production plant and its overall activities are in the European region with the initial Gigafactory. The shifting process of creating marketing opportunities with the California best company opening up a factory to employ up to 12000 people who will produce 500, 000 cars per year in this particular region. Therefore in comparison, all German carmakers combined developed 428,000 electric vehicles in 2020 and exported 62% of these facilities (Cleanenergywire.org, 2022). The process of largely for estate municipality around 35 km southeast of Berlin is projected to be reserved for the industry for around 20 years on a minimum basis. Hence the bucket increase of infrastructure and evaluation of the services developed by the company has been commendable, to say the least.

### ***Effectiveness of Tesla's management strategies for the first European Gigafactory***

The aftermath of such significant business expansion requires an approval process determined by Germany's federal emission control act which means limiting environmental damages as per law enforcement. Tesla made a significant amount of 100 million deposit in January 2021 to restore its original condition before the construction process started (Cleanenergywire.org, 2022). Additionally, Government support with first-hand management of the resources in the industrial premises has been vital. The prospect of environmental concerns and local resistance to the project has been an influential aspect of focusing on the critical and public hearing of the submitted objectives that were also part of the planning process. The impact of such divisive alteration in the negotiation policies of Tesla and the Government of Germany has created a mutual demand for the product in the market of the European region.

### ***Identify and discuss possible existing non-core competencies which can lead to certain competitive disadvantages***

A large number of local regions are inheriting the welcoming of the project. Almost Eighty-two per cent of Brandenburg's residents of the area have been forced to leave the area for transforming the municipality's first structure of the project (Cleanenergywire.org, 2022). The German Green Party and major environmental organisations came out in favour of local activities regarding a better environment for the country. Hence the probable non-core competencies can be certain barriers to the project being more successful than it has already been.

### ***Recommendation***

- Introducing low-cost vehicles to capture the mass market can be relevant for the company looking to expand the business in the German premises.
- Innovative and productive improvements of the product of the existing competition by staying always on one step forward from the electric motors available in the market.
- The outlook should be always towards the recent trends that can reduce cost as well as lower and electronic vehicles to improve the perspective of top technology departments in the EV market can be used by the organisation.



## **Part C**

### **Conclusion**

The discussion regarding topic of tesla's entry into the German auto market Gigafactory Gruemheide was discussed in this particular report. Perspectives regarding federal frameworks for internal and external environment analysis like PESTLE, VRIO, Porter's five forces and SWOT analysis were used to get a better understanding of the current situation and the future projection of the expansion process. Additionally, the focus was also on the effects of such expansion on the economical terms of the organisation as well as the locality considered for providing services in the European region. These are some of the components that were vital to give the conclusive part of this report effectively.

## Part D

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