

The Innovation Management Systems for Tesla Motors

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Executive Summary

The paper examines the innovation management systems for Tesla Motors, an American electric motor vehicle company that was founded by a group of innovative engineers. Tesla is a great example when examining an innovative company. With fewer years in the market as compared to its competition, the company is a leader in the e-car market. Moreover, the company's style of management allows for innovative and creative thinking for all employees.

The production of electrical products for commercial and domestic use has seen the company rise in value and acceptance among consumers. Primarily, the company has introduced sustainability through the production of zero-emission cars, solar panels, and energy storage batteries. Thus, the article finds it conclusive that Tesla's focus on innovation is essential for global sustainability.

Introduction and Background Information

Tesla Incorporation is known for its production of electric cars; founded in 2003, the company has achieved much in its years of operation. According to Tesla (2018), the aim of the company has always been to assist the globe in realizing the dream for a clean environment through sustainable energy. The company is young as compared to its competitors in the automotive industry; however, the progress and market share the company commands is indicative of the strength of its strategy. According to Progressive Digital Media Technology News (2016), Tesla Inc. works to improve living standards through innovative technologies that separate it from traditional motor vehicle manufacturers. Thus, McCarthy (2017) asserts that Tesla has dominated the e-car market segment. In essence, [Tesla Motors](#) is performing well in the market.

Selecting Tesla is inspired by its innovative nature and management systems that focus on developing future technology. Tesla entered the market in 2003, and by the year 2008, the car manufacturer set precedence for old manufacturers in the automotive industry by producing the first fully electric car. According to Rothaermel (2015), the case of Tesla provides insight into the importance of innovation and creativity in a company. Before Tesla's entry into the highly competitive auto market, there was less interest by the stakeholders in developing fully electric cars. Thus, the segment was a viable blue market that required innovation and commitment. Hence, Tesla grew to the multi-billion enterprise it is today.

The automotive industry before the entry of Tesla was characterized by stiff competition from market leaders such as Toyota, BMW, Mercedes, and Ford, among others. Stringham *et al.* (2015) assert that Tesla's strategy was ingenious since it shifted the status quo by focusing on a blue ocean segment of the industry, thus, the electric car.

Tesla's Innovation Management Process

Tesla deals with the manufacture of electric cars, solar panels, and electric batteries that are for either commercial or domestic purposes (Tesla, 2018). The products are designed to have a premium value for their consumers since they encompass the latest technologies. According to Mohr *et al.* (2009), Tesla's products are marketed as innovative high-technology items that offer the luxury needed. Every product involves a new innovative design that focuses on its production and marketing. In essence, innovation management begins with the product design to its marketing to consumers. The innovative design allows for product differentiation, thus, enhancing its market share and competitive advantage.

To ensure a successful market entry, Tesla focused on a different path compared to that of the traditional automotive manufacturer; hence, the company employed radical/disruptive innovation. According to Christensen *et al.* (2015), the Theory of Disruptive innovation implies to instances where a smaller company uses creative ideas that lead to a shift in the pattern of competition. In the case of Tesla, the company disrupted the automotive analogy of fuel engines by introducing a more economical and efficient energy source for its cars. Hence, the innovative processes for the company are seen as radical since they focus on what is not available in the market.

Tesla's products are developed based on innovative designs and with a focus on technological advancements. According to NVIDIA (2018), their partnership with Tesla ensures consumers get the best of what technology can offer through the provision of inboard supercomputers. Moreover, PDTN (2016) asserts that the companies are bent on providing high-end tech for its consumers for they to relate to its premium services. Besides the private funding, the company 2010 initiated a public offering for its shares in the NASDAQ.

According to Stringham *et al.* (2015), Tesla's management system is based on an innovative open style that allows for contributions from employees. The management style is levelled, allowing any member of the team to contribute to the decision-making process. For innovation, the management structure allows for internal creativity; thus enhancing the capacity of the firm. As Rothaermel (2015) points out, Tesla's unique management system contributes to its overall success since employees are part of the decision-making process. Allowing creativity by the management plays a crucial role in its leadership style.

In the product curve, Tesla Motors remains at stage II with slightly decreased product margins. The characterization is due to new competition from the traditional automotive manufacturers who are

entering the e-car segment. According to Stark (2015), a company can maintain its growth trajectory depending on its ability to evolve. In the case of Tesla, the enterprise continues to produce useful batteries and e-cars with more focus on innovation and R&D. Moreover, the company's management focuses on innovative processes; thus, the firm remains stable in the market as it aligns its products with demand.

The world is shifting, with consumers demanding more sustainable products that are less harmful to the environment. Tesla's embracing innovative ideologies on the provision of clean energy was in line with future demand. According to Tesla (2018), the idea of electric cars came from the need for clean, renewable sources of energy. In essence, the company's innovations result from the need for progressive technologies. Working with creative angle companies can advance their products to infinity, thus, remaining relevant to the market demands (McCarthy, 2017). The future is different from the present; thereby there is a need for companies to maintain an open mind to remain relevant.

Tesla Incorporation maintains and opens an innovation management structure that allows every employee to participate in the production process. Larcker and Tayan (2011) point out that the open communication policy in the company provides for the efficient transmission of messages and plans across the company. The company structure is designed in a flat-level system that provides for efficient decision-making; the management and subordinates act as partners in the decision-making process. Hence, shedding the barriers associated with traditional management methods. On the other hand, Rothaermel (2015), asserts that the strategic management framework of Tesla assists in ensuring continuity through a focus on constant innovation of new products. To align with consumer needs, the input of every employee is essential for future growth and development.

Impact of Innovation

Innovation is essential for the growth of any company; Sarkar (2013) opines that without change, a firm would face a declining product lifecycle. In essence, the differentiated product allows a company to adapt to new technologies and consumer needs. In the case of Tesla, innovation allowed the company to break the entry barriers that characterized the automotive industry (Stringham *et al.*, 2015). Product differentiation is essential for market access and growth. As Tesla (2018) points out, the innovation in electric cars provided the company with a grip on the sustainability market segment. The sustainability market segment is characterized by consumers who are concerned about environmentally friendly practices. Moreover, innovation improves employee motivation since their involvement in company affairs raises their product ownership and contribution.

According to Tesla (2018), the company has shown the world that sustainable energy is a possibility. Before the innovation, fuel was the primary source of energy for motor vehicles, but today more companies are focusing on developing e-cars. Karamitsios (2013) asserts that the impact of Tesla's innovation has transformed the industry with more focus on sustainable energy and the reduction of environmental pollution. Due to Tesla, the future of automotive will encompass sustainable energy

sources with premium products for all categories of vehicles. Moreover, Larcker and Tayan (2011) point out that the firm's unique management style is influencing changes in traditional theories of leadership. In essence, the firm's approach has shown the need for a focus on research, innovation, and creativity when planning for development and future stability.

Tesla's innovative management process encompasses all systems of production until the item reaches the consumer. Unlike, the traditional methods of management, innovation management provides for creativity and employee contribution to the decision-making process of a company. For growth, innovation is critical as it contributes to stability and competitive advantage. In the case of Tesla, the management has combined innovative processes in its production line to ensure conformity with consumer demands. Essentially, making innovation a source of competitive edge over its competitors in the automotive industry. Moreover, it has contributed to a sustainable pathway.

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