Tesla Corporate Responsibility and Sustainability Action Plan

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Organization Action Plan

Company/Organization Introduction

Founded in 2003 by Martin Eberhard, JB Straubelm Marc Tarpenning, Ian Wright, and Elon Musk, Tesla Inc. which was formerly known as Tesla Motors, is an American company. It manufactures electric automobiles, car batteries, solar panels, and home power storage systems. Historically, the company is known for its contributions towards electrical engineering and sciences and more recently it has emerged as a pop culture icon among the young engineer (Reed, 2020). Tesla developed Roadster in 2008, which was the first automobile released by the company and purchased by approximately 2100 people around 32 countries. While developing electric automobiles is the main forte of the company, it continuously strives for innovation, advancement, and eco-friendly technological achievements.

Vision Statement

The Tesla company envisions to "create the most compelling car company of the 21st century by driving the world's transition to electric vehicles."

Mission Statement

"To accelerate the advent of sustainable transport by bringing compelling mass-market electric cars to market as soon as possible."

Values

The core values of Tesla are the main principles that guide the overall practices of the company's workforce and stakeholders. It is based on the values of "doing the best, taking risks, respect, constant learning, and environmental consciousness" (Tesla, 2021).

Social Aspect

The primary goal of Tesla is to accelerate the transition of the World towards the use of sustainable energy. It is the company's mission to maximize their performance on every metric of the "Environmental, Social and Governance" impact by increasing the accessibility of their products. Achieving the milestone of their vehicle delivery i.e., 20 million vehicles annually by 2030, would lead to reduced carbon footprint by saving tons of carbon dioxide emission. Additionally, the company seeks continuous improvement of its products throughout its lifecycle, improvement of energy and water consumption, the safety of customers and employees, and affordability and availability of its products (Tesla Impact Report, 2020).

Corporate Responsibility Program Goals and Objectives

The corporate responsibility program (CRP) goals and strategies of Tesla address the interest of the company's stakeholders especially those associated with the energy solutions and automotive businesses. In today's society, CRP is a crucial issue and increased social responsibility is placed on the motor industry due to the prevalent issues of climate change (Yang et al., 2018). In this regard, Tesla Inc. has adopted a triple-bottom-line approach focusing on the planet, people, and profits. This approach addresses the CRP issues with increased emphasis on environmental concerns. The corporate social responsibility of Tesla is based on energy storage, environmental friendliness, and sustainability. Presently, the corporate responsibility initiatives of Tesla are led by Valeria Chapman, the Vice President of People. For a long, the social responsibility aspect of the business was ignored and the company did not adopt corporate sustainability reporting until the 2018 Impact Report. The important areas highlighted in the Impact Report 2020 include Environment, Product, Supply Chain, People, and Culture. A data-driven approach is employed to promote diversity, equity, and inclusion (Dudovskiy, 2021). The highest priority stakeholders for the company are the communities. Other stakeholders include customers, employees, investors, and governments.

Tesla aims to fulfill its corporate social responsibility through its product manufacturing. The aim of building electric vehicles is to increase the accessibility of masses for products that are more positive than the alternative internal combustion engines. The company seeks to eliminate its carbon footprint by incorporating a wide range of revolutionary energy-saving features in its products. The aim is to be carbon negative rather than carbon neutral. Since the company has established its reputation as environment-friendly, it also practices due diligence towards the raw material sources and ensures supply chain management. Reduced water consumption for its manufacturing operations is another CRP objective of the company. Since its establishment, Tesla has aimed to improve air quality and many scientists believe that its role would be imperative to scale back the millions of deaths annually attributed to air pollution.

On the societal level, Tesla has remained an active philanthropist, bringing wide-ranging benefits to the local community. Through its products, Tesla not only aims to achieve an eco-friendly outcome but also seeks to attain its social objectives. Through improved air quality and reduced carbon footprint, the company aspires to enhance the quality of life for worldwide communities. Its technological advances in battery-based energy have allowed communities, both urban and remote, to move away from the use of carbon-generated power. Additionally, the safety of its consumers has remained a prime objective and over the years Tesla has reduced the number of fatalities through the installation of Active Safety and Passive Safety features in its vehicles (Freeman, 2021).

Ethical Considerations

Tesla is a forerunner of innovative energy and transportation. The company lives by its principles of exceptional performance, integrity, hard work, and fairness. The most important corporate responsibility that the company is built on is clean energy and eco-friendly products. Certain ethical considerations are encountered when implementing these corporate responsibility activities. The “Human Rights and Responsibility Materials” and the “Supplier Code of Conduct” are the basis to ensure ethical conduct throughout the supply chain. These principles govern Tesla’s suppliers which include all individuals or organizations from which Tesla receives products and services. The code defines Tesla’s relationship with these suppliers and also outlines the expectations of how these businesses must operate. Various ethical considerations are taken into view during raw material sourcing. Cobalt is an important raw material outsourced by the company and the human rights issues related to it require a rigorous approach to due diligence. The company’s supply chain due diligence program is coherent with the “OECD Due Diligence Guidance for Responsible Sourcing from Conflict-Affected and High-Risk Area” (Tesla Impact Report, 2020). To ensure supply chain transparency, Tesla Inc. encourages its suppliers to make their business practices public and ensure compliance with the Code defined for labor, health and safety, environment, and ethics.

Labor

In terms of labor practices, upholding the human rights of workers and treating them with respect and dignity is imperative. Such labor practices must extend to all workers whether temporary, contract-based, student, migrant, direct employees or any other type. There are seven labor standards that suppliers must adhere to. 1) Employment must be freely chosen and forced, indentured, exploitative labor, slavery, and trafficking are disallowed. 2) Child labor is prohibited at all stages of manufacturing. 3) Working hours must not exceed the maximum hours as prescribed by the local law. 4) Wages and benefits must also comply with the local wage law and compensation must be provided for overtime. 5) There must be no form of inhumane treatment in form of violence, sexual abuse, gender-based harassment, corporal punishment, bullying, etc. 6) Companies must ensure a work environment that is free of any form of discrimination such as age, color, race, gender, sexual orientation, etc. 7) All workers must have the freedom of association with the trade union of their choice.

Health and Safety

The health and safety considerations include occupational safety, systems and procedures to prevent occupational illness and injury, and emergency preparedness. Moreover, industrial hygiene, machine safeguarding, and communication of health and safety protocols are essential aspects of this standard.

Environment

Since Tesla Inc. is a company that operates on the notion of environmental sustainability, its Code outlines the environmental responsibilities expected of the companies it is associated with. Eight environmental standards are outlined. 1) All necessary environmental permits and approvals must be obtained, maintained, and updated. 2) Companies must ensure to minimize or eliminate the emission of pollutants by installing necessary equipment, modifying manufacturing practices, and using natural resources. 3) For safe handling, storage, movement, use, or disposal, hazardous chemicals, wastes, and materials that threaten humans or the environment must be identified, labeled, and managed properly. 4) Procedures for effective handling and disposal of solid wastes must be in place. 5) Air emissions of toxic chemicals and ozone-depleting substances must be monitored and regulated. 6) Suppliers must adhere to laws that restrict or prohibit the use of certain materials. 7) The water management program must document water sources, their use, conservation, control, and channels of contamination. 8) Greenhouse gas data must be established by suppliers and they must seek measures to improve energy efficiency.

Ethics

To fulfill the social responsibilities and to be successful in the marketplace, certain ethical considerations must be adhered to. These standards of ethics not only guide Tesla’s business practices but are also outlined in the Suppliers Code of Conduct. 1) All business interactions must follow the highest standards of integrity and a zero-tolerance policy should be followed for corruption, bribery, embezzlement, and extortion. 2) There must be no improper advantage promised in return for bribes. 3) Transparency must be ensured in all business dealings through the complete disclosure of information about all related processes. 4) Companies must respect intellectual property rights, ensuring that all information is safeguarded. 5) Fairtrade, advertisements, and competition must be adhered to. 6) Companies must design programs that protect the identity of employee whistleblowers and establish a non-retaliatory environment. 7) Due diligence must be exercised for responsible sourcing of minerals. 8) Suppliers must be committed to protecting the personal information of everyone they do business with This includes customers, suppliers, and employees. Laws and regulations that influence information security must be followed whenever any personal information is collected, saved, processed, communicated, and shared (Tesla, 2021).

Value Creation

The primary goal of any business entity is value creation as it promotes the sales of products and services and also benefits the shareholders by increasing stock prices and ensuring future investment opportunities. While the traditional means of assessing value creation was based on an analysis of revenue generation, presently, value creation is identified as a management goal. There are five strategic dimensions of the corporate responsibility program that may impact the organization's ability ty to create value. These dimensions include "visibility, appropriability, voluntarism, centrality, and proactivity" (Burke and Logsdon, 1996). Companies that design and manage their CRP "to create greater visibility, appropriability, and voluntarism" can create greater value for their businesses (Husted and Allen, 2007). The CRP of Tesla Inc. can also be evaluated on three of the five-dimensional model of value creation presented by Burke and Logsdon.

Visibility

The extent to which a firm's stakeholders can observe its social activities is termed visibility. These activities positively impact the firm and create a good corporate reputation. Tesla's presence on various social platforms increases its visibility and helps to build customer awareness about the brand. The Impact Reports since the year 2018, as well as policy documents such as the Suppliers Code of Conduct, are easily accessible, increasing company visibility.

Appropriability

Appropriability is the firm's ability to achieve financial gains from a social project (Husted and Allen, 2007). Product differentiation is an important form of appropriability. Tesla employs product and process innovation to create a new market for its products. The company has achieved competitive advantage through products that integrate advanced eco-friendly technology, thereby, maintaining the uniqueness of its products.

Voluntarism

The engagement of a firm in voluntary social activities rather than legal obligations is term as voluntarism. Tesla has been involved in numerous philanthropic activities and has partnered with homes, schools, hospitals, and other organizations to deliver programs that ensure 100% clean energy.

Organizational Strategies

The actions employed by an organization to achieve long-term goals are termed organizational strategies. These include the management and leadership strategies, structure and business organization strategies, organizational culture, and stakeholders, and others within the organization.

Management and Leadership Strategies

The corporate responsibility program objectives are aligned with the vision of the company and it is accelerating towards its goal of sustainable energy sources under the leadership of its CEO, Elon Musk. The leadership strategy of Musk is defined as leading by example. He has been the central force in the development of cutting-edge technologies. His transformational leadership style and creativity are the driving force in the success of Tesla Motors (Parekh et al., 2021). The leadership strategies employed to implement the CRP include the articulation of a powerful vision, leading by example, effective use of human capital, and heavily investing in new technologies.

Structure and Business Organization Strategies

The functional form of organizational structure enables Tesla to exert strong control over the business (Meyer, 2016). The functional departments of Tesla include “Human Resources, Business Development, Engineering, Processes and Autopilot, Manufacturing, Design Through, Global Sales and Services” (Parekh et al., 2021). The company is divided into minimal regions i.e., four. This allows Tesla to adopt strategies best suited to the condition in a particular region. The business organization strategy employed by Tesla is global centralization that enables the central team or group to maintain control over regional decisions as well. The members of this central team include the top-most manager of each office.

Organizational Culture Strategies

The organizational culture of Tesla is greatly influenced by its structure. Tesla’s culture is characterized by six core features (Meyer, 2016). Personal mastery i.e., thinking like owners are highly appreciated at Tesla. Continuous encouragement is provided for out-of-the-box ideas i.e., to constantly innovate. The common vision of doing the impossible unifies the team. Reason from first principles by using complex mental models and moving fast to respond effectively to problems is a norm of the organization. The notion that “we are all in” is most important in ensuring team learning and bringing success to the company even in the most turbulent times (Jones and George, 2016).

Stakeholders and Others

The highest priority stakeholders for the company are the communities. Other stakeholders include customers, employees, investors, and governments. The assistance of these groups is crucial to the success of the company.

Communication Plan

The goal and strategy of communication vary for internal and external audiences. The goal of communicating with shareholders is to educate them on the importance of their assistance in taking the company to new heights, whereas communication with employees keeps them high spirited, maintaining strong communication, and keeping employees informed. Similarly, the goal of customer communication is to promote the strong image of the brand. Various strategies can be employed to communicate with these stakeholders. These may include:

- Promotion of the brand through a partnership with social media influencers
- Creation of online student platforms to gather pitch ideas
- Organizing college visits and teaching about the CRP of Tesla
- Quarterly town hall meetings to review the program
- Creation of a mobile application accessible to all stakeholders via their smartphones
- A monthly newsletter to celebrate team achievements and highlight the CRP program objectives
- Setting up a decision-making panel for shareholder
- Involving shareholder groups in mentorship programs (Freeman, 2020)

Only through communication, transparency can be maintained and the corporate responsibility of businesses can be achieved by involving all relevant stakeholders.

Reference

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