



Work, Culture, and Clash in an Innovative Automotive Company

Click on the content you want to know more about.

MENU.

Click to return to this page.

LA EMPRESA

**COMUNICACIÓN
Y TOLERANCIA**

**MUSK
EN PROBLEMAS**

LA DECISIÓN

REFERENCIAS

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THE COMPANY

Tesla Inc. was founded in 2003 in the United States of America by Martin Eberhard and Marc Tarpenning. Since then, it has grown exponentially and is already a global icon; it is consolidated as the leading company in electric vehicles and sustainable energy thanks to the innovative vision of its CEO, Elon Musk, who joined the company in the early years of its onset.

From its early stages, Tesla Inc. has stood out for its innovation, use of advanced and state-of-the-art technology, and for its disruptive creativity. This has made the company a pioneer in different exclusive products; nevertheless, parallel to its growth, it has neglected its organizational culture, to a large extent, due to the CEO's leadership style, accounting for many ethical and le-

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Tesla's mission is to incorporate sustainable energy into the world, through the development of electric vehicles and clean energy efficient solutions (Tesla, 2024).

gal scandals, mass redundancies, excessive turnover of executives due to heavy workloads and high-performance expectations (Thompson, 2022).

This situation has created a high demand and strained work environment,

which, though motivating for some employees, also has developed more into stress and exhaustion. Undoubtedly, a topic that is crucial to address, is the deficiency in job security and employees' well-being. Several internal reports have shown the difficult work conditions in their factories, with high injury rates, and multiple complaints due to the practices that put workers at risk (Matousek, 2021).

This underlines the great need for Tesla Inc. to implement policies and practices around well-being, and mental and physical health, to guarantee a safe and healthy work environment for its employees. In the same vein, a very controversial aspect of the CEO is his zero-criticism policy, and no-tolerance to the direct communication of internal problems (Al Jazeera English, 2019).

Tesla Inc.'s organizational culture has been described as "chaotic" due to a lack of clarity in its structure, and to the CEO's intervention in different operational levels (Kowitt, 2021).

The CEO's centralization of power has brought about criticism due to the lack of autonomy and empowerment of other leaders within the organization (Higgins, 2023). One of the most controversial aspects of Elon Musk is his communication style, his public statements and no-filter behavior, which are often impulsive and deeply controversial (Hoffman, 2023). It has been considered that these types of interventions can be a strategy to keep Tesla Inc. in the public eye. This could be regarded as an unconventional marketing style, though this has also triggered legal and regulatory problems for the

Elon Musk's direct intervention can speed swift and compelling decision-making; in contrast, this can also create uncertainty environments and disarray in work teams.



Image. Master1305 in Freepik, 2024.

company with consequences, such as the plummeting of their equity value due to his comments on social media, as

well as damaging the image both of their products and their operation dynamics (Levine, 2018).

The company has faced problems with their production line, specifically with Ramp-up of Model 3. The excessively ambitious production goals established by their CEO resulted in delivery delays and serious quality problems. This revealed a great need for strategic planning and a realistic management of the production volume in their supply chain (Lambert, 2019). With everything mentioned, the tension between the excessive innovation and the operational sustainability within the company has been underlined.

When addressing the issue of technology care under Musk's management, the human factor has been subject to a very demanding style. Under the phrase hardcore and ultrahardcore, Musk encourages his employees to be totally committed to fulfilling his ambitious plans, "but to many,



Image. Craig Adderley in Pexels, 2024.

To solve problems, employees even live at the office seasonally, as it happened with the production of models like the Cybertruck.

this unconditional philosophy was on the brink of abuse. Tesla's employees would sleep on the floor after over 12-hour shifts. Employees would pass out because of dehydration" (Hawkings, A., 2023). "Work must be done on-site", and even "live at

the office", are some of Musk's phrases at Tesla's organizational culture. "Everyone at Tesla must spend at least 40 hours/week at the office", he wrote in an e-mail. "Should the employee not be here, we will assume he/she has quit" (BBC, 2022).

COMMUNICATION AND TOLERANCE

Musk created a policy of an open and direct communication with his employees, both through the email as well as through his Twitter profile (now called X, property of the South African too). Musk's sharp, authentic, and direct communication style has been regarded as an opportunity window for the employees who are committed to the company to come forward and make suggestions; nevertheless, there are three cases of employees who initially believed in the company's values of being candid and communicated directly with Musk to outline serious problems.

Some of the most resonated ethical denouncing parties of Tesla are the following:

- a)** Engineer Cristina Balan, leader of the Model S battery project since 2014. She warned the magnate about critical security breaches; this resulted in her being gradually marginalized by managers until Balan assured that she had been a victim of mobbing, until she was finally unjustly dismissed. This case has been dragging on in courts and on the press for ten years (Kleinman, Z., 2024).
- b)** In 2018, at the Nevada plant (USA), technician Martin Tripp alerted Musk about serious problems regarding safety and environmental treatment of car components. His warnings went unheard, and Tripp decided to filter the information to the press and the American authorities. According to Bloomberg TV (2020), this situation led to a severe retaliation from Musk: he fired him and assured that Tripp had caused intentional IT damage as the former employee had shared the assertive and erratic private communication he had maintained through email with Musk, where they had exchanged threats. The case led to a complaint lodged by Musk before the Nevada authorities against Tripp whom he accused of attempt of massive shooting and use of explosives, an affirmation that was never confirmed and which ended up in court (Hamilton, I., 2018).
- c)** In 2019, at the Norway plant, Engineer Lukasz Krupski directly alerted Musk about serious failure in vehicles' automatic pilot system. The engineer received an email of appreciation, but the second time he tried to reach the CEO, the latter ordered to marginalize him to force his dismissal from the company. Frustrated and facing rejection to be heard, Krupski submitted information about the data results to Mr. Aaron Greenspan, a renowned critic of Tesla's car quality and Musk's eccentric managerial practices. Both made public Musk's and his company's serious security breaches in the automatic pilot system, as well as the poor accounting and stock market practices before the SEC (USA's Securities and Exchange Commission) (Ewing, 2023).



MUSK IN TROUBLE

Tesla's CEO has used X (formerly Twitter) as a means of contact with his employees and the company's outside world. One of the most severe episodes of the firm took place in 2018, when Musk, through his Twitter account, declared that a group of investors from the United Arab Emirates had committed to injecting the necessary capital to repurchase all the shares and turn the company into a private one. With Musk being the CEO, he would recover control without having to report to the SEC.

Soon after, it was discovered that the statements were false and that there were no investors, but that, according to the US authorities, it had been a financial felony to manipulate Tesla's shares in detriment

of the stock market. Thus, a punitive process was started.

In December of 2018, Musk granted a controversial interview in the renowned *60 Minutes* newsreel in the US, where he openly declared that he did not respect the SEC and that he did not have to abide by it (*60 Minutes, 2018*). These affirmations broke off the conciliation process and made the SEC's actions toughen up.

Folk (2024) wrote that in order to avoid prosecuting the case, Musk and Tesla's legal team signed an agreement with the SEC which consisted of acknowledging the CEO's culpability of making false statements in Twitter; the firm agreed to

pay a 20 million dollar fine. Musk had to personally pay another 20 million dollars in fines and accept the clause that he would no longer be able to publish in Twitter and other media regarding Tesla's actions without the intercession of a legal team and supervisors from the shareholders assembly.

With these measures, Musk's role as a CEO was seriously diminished. In September of 2022, Musk appealed the agreement with the SEC claiming that his freedom of expression was being violated when using Twitter (a firm which he later bought), and it was until April 2024 that the US Supreme Court decided to discard Musk's claim.





Image: Drazen Zigid in Freepik, 2024.

Musk has implemented an international policy that forbids the affiliation of his employees to a union (Meyersohn, N., 2023).

According to Greenhouse (2023), since 2018, Musk has been quite open in criticizing unionization regarding his companies; for him, unions promote a bad relationship as the roles of lords and

lieges are created. For the more than 120 thousand employees in his American plants, Tesla has ordered his employees not to join the United Auto Workers (a union that groups the employees of all the

American automotive firms). According to El País (2023), Musk separately started a controversial campaign to avoid Tesla's employees from unionizing in Norway and Germany.

THE DECISION

Drawing from the challenges posed, Tesla has achieved significant innovations in the automotive and renewable energy industry. Their capacity to overcome obstacles and revolutionize the electric vehicles market is a great testimony of the effort, the entrepreneurial spirit, and the divergent vision of their leadership (Shahan, 2023). However, in order to maintain their competitive position in the industry and ensure a long-term sustainable growth, Tesla must redefine their strategy addressing the problems of their culture and organizational environment, as well as the leadership style in the management and the ethical dimension of the business management. From a strategic perspective of human capital, you are invited to answer the following considerations:

1. How does the CEO's, Elon Musk's, leadership style impact the organizational culture and the work environment at Tesla?
2. Which measures can Tesla implement to improve the employee's experience?
3. Which strategies must Tesla develop to improve efficiency, performance, and productivity without diminishing the employees' well-being?
4. Which internal communication strategies would favor Tesla into a transparency and trust culture?
5. How can a plan be established to address the criticism about the centralization of power and the lack of empowerment of other leaders within the organization?
6. How to redirect the organizational culture towards living values and ethics, centered on the people, technology, and the environment?
7. What is the impact of top management roles in driving the organizational culture and the behavior of the company's members?



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