



TESLA MOTORS - COMPANY- COUNTRY REPORT



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Introduction

This report will analyse the potential success of Tesla Motors to operate in Israel. The concept of this report is that it will be viewed by Tesla decision makers to help them estimate the success of operating in Israel.

The report will review cross cultural challenges, relevant theory and the way available public information, from sources such as books, articles, journals, websites and class material, can support the assumption that Israel is a good market for tesla to operate in.

Tesla Motors

Tesla cars is named after Nikola Tesla who was a major contributor to the electrical revolution that transformed daily life at the turn of the twentieth century. His inventions, patents, and theoretical work formed the basis of modern AC electricity, and contributed to the development of radio and television. (Bernard 2013)

Tesla Motors was founded in 2003 by Elon Musk, and a group of engineers in Silicon Valley, who wanted to prove that electric cars could be better than gasoline-powered cars. (Tesla Webpage – about 2016)



Tesla launched the first 100% electric power car, model S, in 2012.

Owners of the car can charge their car at home or in a charging stations around popular routes across America,

APEC and Europe. It was the perfect combination of the comfort of a family sedan with a performance of a supercar, all powered by electricity.

In 2014 they released their first electric powered dual motor all-wheel car which had 2 electric motors, one in the front and one in the back. This allow better stability and increases the performance of the Model S to levels not yet seen in the car industry.

Tesla Culture

Tesla decided to manufacture their cars in California, where the environmental issues are having a big impact on business decision and strategy and is heavily invested by government funding. (Morello-Frosch RA et-al 2000). The environmental aspect was not the only one, Tesla wanted to operate in geographical proximity to the big Silicon Valley companies. These decisions are part of their vision to create a better world where energy innovation is helping business and residential reduce energy costs. Tesla see themselves not just a car maker but a technology and design company with focus on environmental awareness. (Tesla Webpage – about 2016)

Tesla, currently a public company, started as a start-up, and as such tend to take risk in business investments. This can become a problem as the company grow and have more products, and at the same time keep and recruit key people that can help achieve the goals that Tesla are standing for, such as Customer comes first, Not afraid to admit when they wrong and always up for the challenge. Another alarming challenge is the cashing in on shares of the company by founding members. Tesla CFO and the Global sales team has already sold \$US 7M of the share and announced their retirement from Tesla. (K. Fehrenbacher 2015). This is another start-up characteristic and not common in mature companies.

Israel Culture

Israel is not only a nation boasting many start-up tech companies, but truly a start-up nation. (D. Senor & S. Singer 2011)

Tesla culture fit the Israeli business culture that also known for risk taking, innovations and fast exits when you get a profit. Israeli high-tech exits totalled \$9.02 billion in 2015 from a total of 104 exits. (IVC-Meitar 2015). Israel has more start-up companies in the field of hi-tech per capita than any other country in the world. Israel are fast to adopt new technology and innovate products that have a footprint worldwide. (Schumpeter 2010).

Israel Culture - Background



The history of Israel started at the biblical times around the 6th BCE and the first thousand years are recorded in the bible, where its nation identity, religion and culture formed. The modern country of Israel was declared their independence, in 1948 after a

historic decision of the U.N.

Israel Culture - Politics

Immediately after the declaration of independence, Israel, the only democratic country in the middle-east, entered a constant, on-going, state of war with her surrounding Arab neighbours' countries. This situation required Israel to create strong alliances with strong influences countries, mostly USA and Europe. With years, Israel established peace agreements with only 2 of her neighbours Arab countries; Egypt and Jordan. The majority of the Arab countries keeping a ceasefire situation with Israel. This situation requires Israel to allocate a lot of its budget to the arm forces. In 2015 the arm forces budget is the 2nd largest expense (~US22B\$) (Israel budget report 2015-16)

Israel Culture - Religious, Demographic and Family Values

As of November 2015 Israel demographic population is 8.5 million people. Where 75% are Jewish, 20% are Arab or Druze and the rest of the 5% are from different religions or have no declared religion. The population in Israel is spread almost equally between men (49.5%) and women (50.5%) (CBS 2014).

In the past it was a big difference between the roles played by women and men in society and in the family - the men were at work, financial worries, family and participated in all the important functions in society, while women stayed home, took care of the children, cooked and cleaned.

Slowly, the situation changed, and now women learn a trade, work and make their living as much as men do. More and more women play important roles in various organizations, including leadership and in politics, science, and business. Consequence of it, we found more men participate in caring for the children and the house hold. In other words, there is more equality between men and women. This is also effecting the financial decision making of a family in Israel, were women take decision regarding the house hold expenses, such as buying cars. (Sztokman, Elana Maryles 2014).

Israel Culture - Technology

Since the beginning of the 80s, Israeli governments have adopted a policy of gradual reduction of government intervention in economic activity. Peace treaty with Egypt, together with the rise in living standards and openness of Israel and the rest of the world, led to capital market liberalization measures, international trade and capital flows between Israel and the world, a peaceful measures and the privatization of government services. Slowly interested VCs the Israeli market, first in demonstrating that you can monetize investments in technology ventures. (G. Brosh 2009)

In the 90s Israel economic activity moved from a defence-dominated industry to “Silicon Valley” model (G. Avnimelech 2002). This model was adopted quickly in Israel as it also helped providing jobs to hundreds of thousands of well-educated immigrants from the former Soviet Union who had difficulty finding jobs fitting their coalification’s. The Israeli

government has taken during the construction of 26 comprehensive scientific incubators to promote technology entrepreneurship. (G. Brosh 2009)

In 2007, Shai Agassi, Israeli entrepreneur, started a new start-up company (Better-place) that was set to charge electric cars in Israel. His idea was to have cars with replaceable batteries rather than rechargeable batteries, the common concept at that time. The concept was that the specially designed car will run on batteries that can be replaced within 2 minutes in a charging stations. The company signed an agreement with France car manufacture Renault to manufacture the cars for them, with a business model that the customer will buy the car on a monthly repayment plan that will be calculated by how much the customer use the car. Similar concept of buying a mobile phone on a plan. In 2012 the first batch of cars (150) were delivered to their customers. The car concept was very successful at start, but management problems caused the company to close down their operations in Israel after 2 years. In a open opinion interview, Alan Finkel, a senior director in Better-Place, explained that the management problems of the company were mostly surrounded around the management style of Shai Agassi; Appointing relatives and cronies to senior positions, arrogant attitude, difficult economic model, lack of willingness and ability to adjust the vision to reality, and focusing on the brand recognition instead of product development. (Shachar Haselkorn 2016)

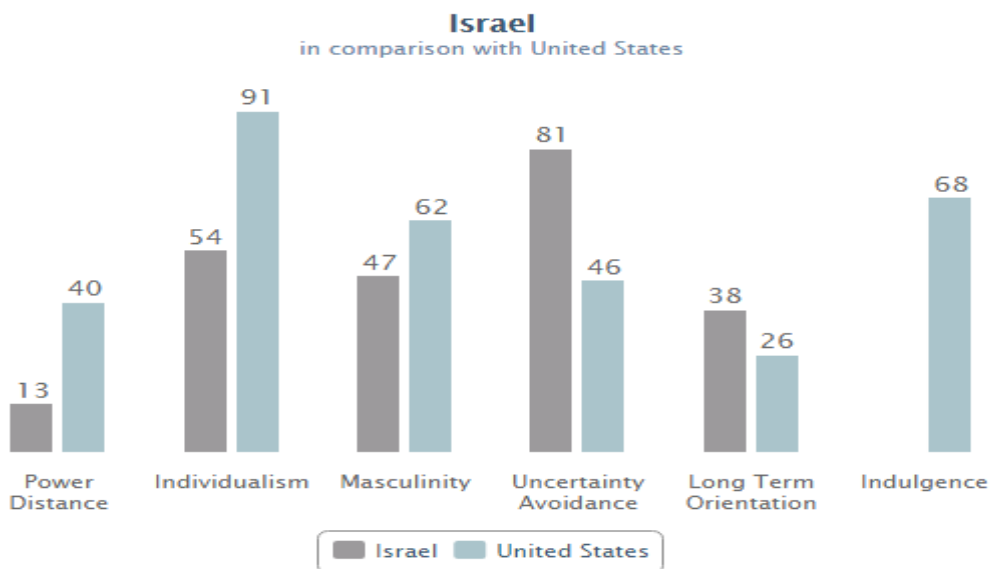
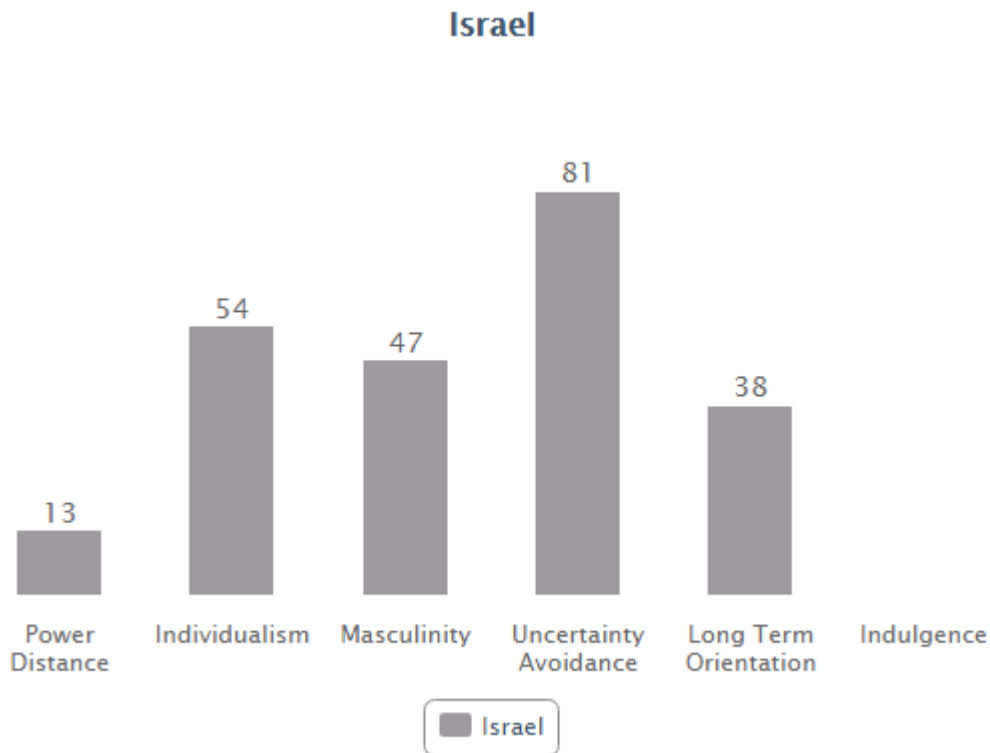
Cultural Dimensions

With the relevant information I have and based on the finding of this research, it seems that Hofstede cultural dimension is the right tool to assist with estimate the business potential of Tesla in Israel.

Israel takes a unique position in the database of countries with scores on the 6 dimensions.

Israel is the only country in the world where the size of the immigrant groups are so large that

they influence the dominant values to the extent that new citizens of Israel change the existing values. (geert-hofstede.com)



Images of Israel cultural dimensions by Hofstede. (geert-hofstede.com/israel.html)

Power Distance

Israel Power Distance score is one of the lowest among other countries. Israeli strongly believe in independency, equal of opinions, very high accessibility to the supervisors, and

that the role of the manager is to facilitates and empower the employees. Employees are expecting their managers to consult them (geert-hofstede.com).

This can be a beneficial dimension to Tesla marketing strategy, as it can target the market of employee that will not have dilemma issue driving the same car as their managers.

Individualism

The Israeli society is a blend of Individualist and collectivistic cultures (geert-hofstede.com).

Israel is a multi-cultural country, who over the years of existence accepted different cultures from many different countries. This created a mix of small families who focus on the parent-children relationship and big families with many children that allows relatives of the families, such as aunts and uncles, to be part of the raising of the children.

Masculinity

With a score of 47 Israel is neither a clear Masculine nor Feminine society. Some elements point at more Masculine features. Performance is highly valued. Status is often shown, especially by cars, watches and technical devices. (geert-hofstede.com). This is another high value dimension for the Tesla managers to consider as Israeli like to show-off their wealth and success.

Uncertainty Avoidance

Israel is a high uncertainty avoidance culture. Israeli trying to avoid uncertainty almost at any cost. Israeli have the need to get their satisfactions fulfilled “right now”. Decisions can be take on spot, even on matters that can have a big finical effect. Tesla can benefit from it if they will offer attractive offering with their cars. Deals can be closed quickly with short negotiation. However, past history of selling electric cars in Israel (Better Place) can be a big problem in a country that have a culture that trying to avoid uncertainty.

Long Term Orientation

The low score of this dimension (38) show that Israeli culture has a preference for normative thought (geert-hofstede.com). Tradition is part of the Israeli life, and failed product and

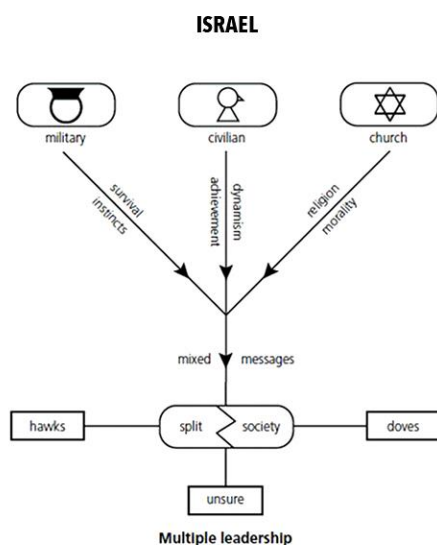
service can have a big impact on the decision of Israeli to re-buy the product or service. The Israeli tend to “burn” a product or service if it was miserable failed in the past.

Indulgence

There is currently no available data about the Indulgence dimension of Israel. This is an interesting fact and maybe a good research for the future as based on the other dimensions it seems like controlling their impulses and desires is something that most Israeli are stragglng with.

Management Style in Israel

Management styles (various approaches and many theories: autocratic, democratic and laissez-faire) designed by scientists from various fields such as engineers, psychologists, sociologists, mathematicians, economists, lawyers, administrators and computers. Each group analysed the problems of the organization and its aspect, an aspect which made an administrative approach to design. (Prides, et al 2010)



In Israel you can find all styles of management across organizations. The liberal style (laissez-faire) is the most common one in start-up companies.

Lacking an aristocracy, Israeli society attaches importance to achievement and dynamism when looking for leadership. (Gus Lubin 2014)

Communication Style

Israel distinct management style of approaching and carrying out work is mostly noticed in their communication style. As outlined in the Hofstede Power Distance score, this style effects the expectations from meeting with customers, style of negotiations and the manager-

employee roles. The last is crucial factor for any company looking to operate in the Israeli market. Managers in Israel tend to rely on personal contacts and relationships. They rely on contacts, either face to face or over the phone. This type of communication skill can be an advantage if leveraged effectively or if not, can have a devastating effect on the business. (culturalsavvy.com/israel.htm).

Human Resource Management (HRM)

Up until the 90s infrastructure development and industrial growth were the high consumer for employee. Since the 90s the business environment in Israel changed to be more complex do to the growing competition with global players. This led to rethinking the way HRM is done as global companies introduced new generation of educated, professional HR managers (P. Budhwar, K. Mellahi 2006). Many of the Israeli HR functions used high performance work systems as a starting point for dealing with their human capital (Harel and Tzafrir 1999) and how to motivate and maintain the employee. As motivation of organization is defined as “a psychological feature or process that effects individual’s intensity, direction, and persistence in attaining a goal.” (Petrov, L. 2016) understanding the unique culture of Israel, especially the low Power Distance and the high Ethical standard, are important for any manager working in Israel.

Recommendations

Tesla, and any other US companies who wish to operate in Israel, must understand that the biggest risk is how to successfully managed the staff. The unique score of Power Distance of Israel show that managers are expected to be more of a guiding resource and not instructing ones. Employee must be consultant on decision and to be giving a lot of “space” to express their opinions in a way that may sometimes seems bold and offensive to outsiders. Managers should also expect a lot of kinesics communication as a way employee express their opinions.

Conclusion

Based on the research conducted it seems that Tesla chance of successfully operate in Israel are high. Although USA and Israel have differences in all the cultural dimensions, the ones that effect the business success of selling cars (Masculinity and long Term Orientation) are quite similar in score. In addition, Tesla is branding themselves as a hi-tech company and not just a car manufacture, which can be the winning card in their marketing campaign in Israel. Another fact is that Israel already experienced using electric cars in the country (Better-Place) and well aware of the finical benefits of using them.

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