

Tesla and Toyota

Tesla Motors

Tesla Motors is an American start-up company, focused on the design and manufacturing of electric cars and electric vehicle powertrain components. The first quarter of 2013 Tesla posted profits for the first time in its history (founded in 2003). Considering the level of competition in the automotive industry and the high costs of electric-cars production, Tesla has followed a successful path, managing to reach the second position in luxury cars rankings in 2014. Tesla's CEO, Elon Musk, envisions the company as an independent automaker, aiming at eventually offering electric cars at prices affordable to the average consumer.

Tesla is a flexible, innovative and quick-decision making company, with significant experience in partnerships. Unlike many traditional manufacturers, Tesla operates as an original equipment manufacturer (OEM), manufacturing powertrain components for other automakers. Tesla has partnerships with Daimler and works closely with Panasonic as a partner in battery research and development and Freightliner Trucks, supplying battery packs for their Custom Chassis electric van.

Toyota Motor Corporation

Toyota Motor is a Japanese manufacturer founded in 1937. Toyota has grown to a large multinational corporation from where it started and expanded to different worldwide markets and countries. It displaced GM and became the world's first automobile manufacturer to produce more than 10 million vehicles per year while occupying the 12th position among the world's largest companies in 2014.

Toyota has also significant experience in partnering up, either with car manufacturers (cars joint development) or car-parts manufacturers and suppliers (joint development and assembling of car-parts).

The alliance agreement

In 2010 Tesla's and Toyota's CEOs met in California, where Akio Toyoda, of Toyota Motor, drove Elon Musk's electric battery-powered Roadster sports car. Being a fan of Tesla's innovation and creativity, the experience of driving its electric car was determinant for the decision to develop a partnership between the two companies. Within few weeks, Tesla and Toyota agreed to an alliance and a close collaboration. The deal, signed in July 2010, consisted of three major areas:

1. Toyota Motor invested in Tesla, by agreeing to buy a \$50 million stake.
2. Tesla purchased the former Toyota Nummi factory in Fremont, California at the price of \$42 million (almost \$50 million less than its value).
3. The last part of the alliance agreement concerned the joint development of electric vehicles, starting with a new electric version of Toyota's RAV4 sport-utility vehicle.

Team assignment:

Assume you are working for Tesla:

1) What is the assessment you will have made before partnering with Toyota w.r.t. the “Build, Buy, Partner” analysis?

	BENEFITS	DISADVANTAGES
 BUILD		
 BUY		
 PARTNER		

2) Assess Strategic, Operational and Cultural Fit of Toyota as your partner:

 Strategic	
 Operational	
 Cultural	