International Journal of Innovative Studies in Sciences and Engineering Technology (IJISSET)

ISSN 2455-4863 (Online) **www.ijisset.org** *Volume: 5 Issue: 3 | 2019*

TESLA'S "GROWING PAINS" AND ELON MUSK'S LEADERSHIP

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An article in the *Los Angeles Times* was entitled "Tesla's Troubles.[1]" It discussed some early problems that are being reported by "Model 3" owners. Later in the article it referred to "Tesla's 'Growing Pains.'"[2]

The overall purpose of this article is to examine some aspects of Elon Musk's leadership and the nature of organizational "growing pains." A related purpose is to suggest what Must and Tesla needs to do to deal with its "Growing Pains."

ELON MUSK: THE APOTHEOSIS OF VISIONARIES

Elon Musk is without question one of the most visionary, daring and fascinating entrepreneursin our lifetime. He is perhaps *the apotheosis* of visionaries for at least the last 100 years.

Infinite Scope of Vision

The scope and level of his vision, imagination and daring is astounding. His startups include Space X and Solar City (maker of batteries). He was a "series A" investor in Tesla, which is a catalyst to a revolution in the auto industry. In addition to his own business ventures, he has proposed a high speed transportation system known as the "hyper-loop" and proposed tunneling under Los Angeles Sepulveda pass to accelerate traffic flow.

His "BHAG goals" include reducing global warming via sustainable energy, production and consumption, and reducing the "risk of human extinction" by establishing a human colony on Mars.[3]

MUSK IS PLAYING A DANGEROUS GAME

At the outset I want my bias and preference to be clear: **I want Elon Musk to be successful!** His brilliance and audacity should be applauded and rewarded. **I *DON'T* WANT TO SEE HIM FAIL!** In addition to admiring all he has accomplished and undertaken *per se*, he it is to be applauded for the recognition of Nicola Tesla! What other entrepreneur has named a company after another inventor—and one that was relatively unknown to the general public! Virtually all entrepreneurs choose to name their companies after themselves.

Sources of the Risk

However, Elon Musk is clearly playing a dangerous high – risk game. It is dangerous not only in the audacity of each individual "project" but in the cumulative magnitude of all of the projects taken as a whole.

There is also significant risk in any organization experiencing growing pains, as Tesla appears to be doing now.

THE RISKS OF GROWING PAINS

When an organization has not effectively developed the systems, structures, and processes (i.e., its "infrastructure" needed to support its size, it will begin to experience what I have previously termed "growing pains." [4] Growing pains are symptoms that the organization has not yet achieved successful scale-up, which depends on the extent to which the organization has developed "architecture" of organizational development consistent with its size. In brief, Growing Pains indicate that the organization has not successfully scaled up and that it is in need of doing so.

My research has identified ten classic organizational "Growing Pains"[5]:

- People feel that "there are not enough hours in the day."
- People are spending too much time "putting out fires."
- People are "not aware of what others are doing."
- People "lack an understanding about where the firm is headed."
- There are "too few good managers."
- People feel that, "I have to do it myself if I want it done correctly."
- Most people feel that "meetings are a waste of time."
- When plans are made, there is very little follow-up, so things just don't get done.
- Some people have begun to feel insecure about

[1] Russ Mitchell, "Tesla's Troubles," *Los Angeles Times. Business, pp. 1 and 7, February 18, 2018.*

[2] *Ibid*, p. 7.

[3] A "BHAG" (a term coined by Jim Collins) refers to a big, hairy, audacious goal.

[4] (Flamholtz 1986; 1995; 2016).

[5] Eric Flamholtz and Yvonne Randle, *Growing Pains: Building Sustainably Successful Organizations*, Wiley 2016.

their place in the firm.

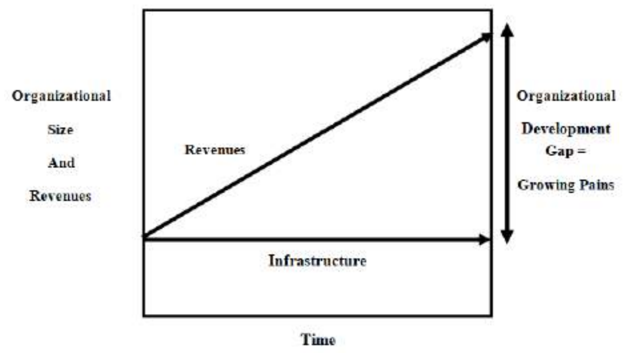
- The firm has continued to grow in sales, but not in profits.

Nature and Causes of Organizational Growing Pains

Growth, though essential to organizations over the long term, creates its own set of problems-- the growing pains described above. These growing pains are symptoms that something has gone wrong in the growth and development of a business enterprise. They are a symptom of organizational distress, and an early warning or leading indicator of future organizational difficulties, including financial difficulties.

Growing pains indicate that the "infrastructure" of an enterprise (i.e., the resources, internal operational and management systems and culture it needs at a given stage of growth) has not kept up with its size, as measured by its revenues. Stated differently, it means that scale-up has not been successful. For example, a business with $200 million (U.S.) in revenues may only have an infrastructure to support the operations of a firm with $50 million in revenues, or one-fourth its size. This type of situation typically occurs after a period of growth, sometimes quite rapid growth, where the infrastructure has not been changed to adjust to the new size and complexity of the organization. The result (as shown graphically below) is an "organizational development gap," (that is, a gap between the organization's actual infrastructure and that required at its current size or stage of development) which produces the growing pains.

ORGANIZATIONAL DEVELOPMENT GAP& GROWING PAINS



MEASURING ORGANIZATIONAL GROWING PAINS

Growing pains are not just binary, meaning they exist or not. There are degrees of severity of growing pains. The severity with which an organization experiences these Growing Pains indicates the extent to which it is experiencing problems scaling up (to the next stage of development). When these Growing Pains are extreme, the organization is in jeopardy of failing if it does not take the steps needed to develop the systems, processes, and design needed to take it fully into the next stage of growth (i.e., have a design that "fits" with its size).

To assist the management of an entrepreneurial company in measuring the organization's growing pains, we have developed the **Survey of Organizational Growing Pains©**. This**empirically validated** survey is available on our firm's web site and can be completed free of cost: **www.Mgtsystems.com**.

This survey instrument presents the ten organizational growing pains cited above Responses to the survey are entered on a "Likert-type" five-point scale, with descriptions ranging from "to a very great extent" to "to a very slight extent." By placing check marks in the appropriate columns, the respondent indicates the extent to which he or she feels each of the ten growing pains characterizes the company.

Scoring the Survey

Once the survey has been completed, the total represents the organization's "**growing pains score**." It can range from 10, which is the lowest possible or most favorable score, to 50, which is the highest possible or most unfavorable score.

The Levels of Risks Associated with Growing Pains

My research has led to the development of a validated method for measuring the degree of severity of growing pains as well as the level of risk associated with different levels of growing pains.

Drawing on our research concerning the degree of seriousness of problems indicated by different growing pains scores, we have worked out the color-coding scheme shown below. This table shows five different levels of severity of growing pains from a **very health organization** to one that is at **grave risk of failure**.

Interpretation of Growing Pains Scores.

LEVELS	SCORE RANGE	COLOR	INTERPRETATION
1.	10–14	Green	Everything OK
2.	15–19	Yellow	Some things to watch
3.	20–29	Orange	Some areas that need attention
4.	30–39	Red	Some very significant problems
5.	40–50	Purple	A potential crisis or turnaround situation

A more detailed interpretation of score ranges is as follows:

- *A* ***green score*** represents a fairly healthy organization. It suggests that everything is probably functioning in a manner satisfactory for the organization at its current stage of development.

- *A* ***yellow score*** indicates that the organization is basically healthy, but there are some areas of concern. It is like hearing from your doctor, "Your cholesterol is in the normal range but on the high side. It's something to watch and be careful about but not an immediate concern."
- *An* ***orange score*** indicates that some organizational problems require attention and action. They may not be too serious yet, but corrective action should be taken before they become so.
- *A* ***red score*** is a clear warning of present or impending problems. Immediate corrective action is required.
- *A* ***purple score*** indicates that the organization is having very serious problems and is in crisis. The organization is in distress and may be on the verge of collapse. There may not be enough time to save it.

If a firm's score exceeds 20, a more in-depth analysis (i.e., a comprehensive organizational assessment) to identify problems and develop recommendations for future action is warranted. Such a score may be a signal that the firm has reached a new stage in its development and must make major, qualitative changes. Failure to pay attention to a score of this magnitude can produce very painful results.

Empirical Research Supporting this Framework

There is a growing body of empirical evidence which provides support for the proposed framework described above. Specifically, Flamholtz and Aksehirli (2000) empirically tested the proposed link between the organizational development model and the financial success of organizations. They analyzed financial and non-financial information relevant to the hypothesized model for eight pairs of companies in different industries, and found a statistically significant relationship.

Flamholtz and Hua (2002A) provided additional empirical evidence of the hypothesized link between the organizational development model and financial performance. They reported the results of a test within a single firm, using a set of fifteen relatively comparable divisions, and found a statistically significant relationship. They also identified thresholds of strategic organizational development for profitability of individual companies or operating units.

Flamholtz (2001) provided empirical evidence of the hypothesized link between corporate culture and financial performance. He reported a test of this relationship within a single firm, using a set of 18 comparable divisions. He found a statistically significant relationship between culture and financial performance.

Flamholtz and Kurland (2005) have replicated the study by Flamholtz and Hua (2002 A). The prior research was replicated with similar results in an independent research site in a different industry (financial services). Using a set of seven relatively comparable divisions, Flamholtz and Kurland (2005) reported the results of a test within a single firm. They found a statistically significant relationship between the six key variables contained in the pyramid and financial performance. They also found that a statistically significant relationship between the variables that are hypothesized to comprise an organization's infrastructure and financial performance.[6]

The Bottom Line

Elon Musk exhibits qualities of true genius**.** I view him as the **ultimate visionary. I would truly love to see him succeed! However, he is playing a very dangerous game. Musk and Tesla need to understand the consequences of growing pains and take appropriate organizational development actions.**

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[6]The variables comprising infrastructure include; resources, operational systems, management systems, and culture. See Eric Flamholtz and Yvonne Randle, *Growing Pains: Building Sustainably Successful Organizations*, Wiley 2016, chapters 2 & 4.

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