**Strategic Analysis- Part 1**

In order to help solve Tesla’s inability to meet market demands for its electric cars over the next 2-5 years, I will applythe following three strategic tools:

1. VRIO Analysis – This strategic tool focuses on the internal environment of a firm and seeks to answer questions relating to the capability or resources of the business. These questions look at the resource/capability in terms of Value, Rarity, Imitability, and Organization (hence the acronym VRIO) in order to determine whether the business is able to sustain a competitive advantage. This tool will be useful in the analysis of Tesla because the problem currently facing the organization relates to a scarcity of much needed resources/raw materials: lithium batteries.
2. PEST analysis – This tool analyzes the business based on its external environment i.e. Political, Economic, Social, and Technological.It is useful for evaluating the decline or growth of the market, and as such the direction, potential and position of a business (Gillespie, 2007). I chose this tool to analyze Tesla because it enable us to determine the realities in the environment in which the business operates. This will, therefore, lead to better informed recommendations and decisions on how to meet demand of the electric vehicles given the shortage of lithium batteries needed to manufacture the vehicles.
3. Financial Ratio Analysis – this tool is an accounting specialty that aims at framing a prognosis and diagnosis relating to the firm’s situation and the financial performance(Horrigan, 1965). The financial analysis will focus on the inventory turnover, gross margin and operating margin ratios (Dyer et al, 2016, p. 302). This ratios will enable me to analyze Tesla’s production, profit-generating and sales-making efficiencies, to better enable understand the impact of its not being able to meet demand on the business.

There were two strategic analysis tools that I had considered but ultimately ruled out in favor of the previously mentioned tools. These were:

1. SWOT –This analysis tool is useful in helping the business understandits Strengths and Weaknesses, and to recognize both the Opportunities available to it and the Threats it faces. I decided not to use this analysis tool because it only focuses on issues that can unquestionably be classified as strengths, weaknesses, opportunities or threats. As a result, it becomes problematic to address two-sided factors that could be classified on either side of the coin. For example, shortage of lithium batteries can be both a threat and an opportunity to Tesla.
2. Michael Porter’s Value Chain analysis– this tool is used to identify a firm’s value adding support and primary activitiesfollowed by an analysis of these activities to increase differentiation and reduce costs. The reason for not using this analysis tool was that the situation at Tesla is not a problem with high costs that need reduction rather an issue of raw materials availability.

References

Gillespie, A. (2007). PESTLE analysis of the macro-environment. *Foundations of Economics*. Oxford University Press, USA.

Horrigan, J. O. (1965). Some empirical bases of financial ratio analysis. *The Accounting Review*, 40(3), 558-568.

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