Organizational learning and post-crisis management at Tesla Inc in facing crisis communications

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ABSTRACT

This article aims to discuss organizational learning and crisis management at Tesla Inc. Digital disruption has made corporate communication required to use agile strategies in dealing with dynamic communication crises. Tesla's communications crisis started with 11 accidents in 2018, and Tesla removed the communications department amid the crisis. The lack of relationship between the media and the company can cause a potential crisis to occur. The disappearance of the communications department has made it difficult for journalists to obtain press releases and made it easier for issues to be uncontrolled. This transformation is a form of organizational learning in facing a crisis and aims to make communication centralized and transparent. Tesla’s external communications now use its CEO’s Twitter @EllonMusk to communicate with external stakeholders. Tesla’s open and innovative corporate culture can influence the company’s decisions in dealing with a crisis. This article is analyzed using qualitative methods with a case analysis approach to find solutions to overcome the communication crisis that occurred.

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Keywords
Organizational Learning
Communication Crisis
Tesla
Corporate Communication
Constructivism Paradigm

1. Introduction

Corporate communication patterns are like humans who have vital organs to interact with one another, every company or organization has a personality known as organizational culture. Organizational culture will determine the rhythm of how the company should move. The organizational culture also tells potential employees what they can expect and how to set expectations for their clients.

Corporate or organizational culture reflects the habits, values and practices that determine employee decisions and behaviors. Tesla Inc promotes employees to innovate to support perpetual business development and improvement [1]. By implementing its corporate culture, Tesla believes the human capital capabilities is a core to its successive growth in the international market for electric vehicles, batteries, solar panels, and related products. With this approach, the features of corporate culture serve as a channel to strengthen strategic effectiveness in improving the company businesses. Furthermore, Tesla Inc enhanced its employees to attain visionary and innovative attitudes implemented within the company.

Tesla Inc's organizational culture characteristics inspire the employees to fresh ideas and solutions. In discussing Tesla Inc, these behavioral element complement to Tesla Inc’s rivalry in dealing with automotive companies such as Volkswagen, Toyota, Mazda, Honda GMC, Ford,
Lexus, Jeep, and other brands. Commencing as a manufacturing company which focusing in electric sports vehicle, Tesla extend into a mass product automotive, shipping luxury car (Model S) and crossovers (Model X) to its customers, and Tesla Inc now employs 25,000 workers. Tesla Inc’s biggest cooperation is its partnership with Mercedes-Benz, which has produced A-Class automobile powered by electric motors [2].

This rapid development progress has made Tesla the center of world attention and even headlines in various media. Even netizens did not miss to comment on the development and future of Tesla as a pioneer of technological progress. More specifically, consumers have turned to online brand communities as platforms to talk with and about specific brands, and companies have also created their own online brand communities to communicate with consumers [3].

Rigby and Bilodeau (2015) provide us with an accurate definition: “Customer segmentation is the division of a market into separate customer groups that share similar characteristics [4].” Tesla has succeeded in creating its own market segmentation in social media, where customers really believe in innovative products so that if an error occurs in the product it will have a big impact on the high profile customer. Tesla's failure to maintain the quality of its products could fuel an already fanatical public anger that Tesla's products will not fail. This can create a domino effect that will trigger a communication crisis that is difficult to overcome except by someone who is capable in dealing with dynamic communication crises.

The communication crisis at Tesla Inc. began with a serious accident by a driver using the autopilot feature. In total, there have been 11 accidents due to the use of the autopilot system on Tesla vehicles. As reported on CNBC in 2021, Tesla's Autopilot, PSD, and FSD Beta are unable to control electric vehicles under all normal driving conditions [5]. Tesla argues in the owner’s manual and other communications to customers that drivers should keep their eye on the road and always steer even while using Autopilot, FSD, or FSD Beta.

This serious accident has been in the spotlight of various stakeholders and has impacted the reputation and technology image of Tesla Inc. Unfortunately, however, this company refuses to have a public relations department. Elon Musk rejects the idea that Tesla will return to owning a PR department, and his reasons are quite open: He doesn't believe in "manipulating public opinion." This is because Tesla is an automotive company with a high appeal in the mass media[6]. Indeed, only a handful of PR people can handle hundreds of queries from journalists every day. It made sense as a startup in 2010, but Tesla grew to become a major automaker and the most valuable auto company in the world by 2020. A natural progression would be the PR department growing alongside the automaker, but Tesla did the opposite.

Based on this explanations, the author will analyze the factors related to Elon's rejection of the re-emergence of the public relations department and how an innovative corporate culture can influence the company's decisions in dealing with a crisis.

2. Theorical Framework
This research uses the constructivism paradigm. Constructivism by Wendt (1992) focuses on social discourse and communication that occurs, through the content and influence of some communication and exchange of ideas by actors. Wendt emphasizes that actors use ideas to build relationships and material realities. According to Wendt, social structures and systems contain three elements; materials, interests, and ideas. The significance of material conditions will be influenced by interests, while ideas will affect interests [7][8]. In the constructivism paradigm, the relationship between the object and the observer is unified, subjective, and is a form of a combination of the two interactions. Therefore, a reality observed by the researcher cannot be generalized.

2.1. Corporate Culture
The definition of corporate culture according to O'Reilly (1989), most individuals care about the people who surround them. In this respect, culture complements more traditional control systems, such as incentives. However, there is a difference in the way these values can be interpreted [9]. In Kreps (1990), corporate values are simply the reputation that a company has developed over time. Thus, corporate culture does not change the preferences of individuals; it only alters their incentives.
in a repeated game [10]. Thus, corporate culture is positively related to innovation output and not significantly related to firm financial performance.

The complex development of an organization is associated with the culture of that company or organization by synchronizing employee values with organizational values [11]. What makes Tesla's organizational culture unique is the emphasis on various environmental causes, protection and conservation. Tesla's organizational strategies involve decreasing dependence on common transportation by offering eco-friendly and zero-emission alternatives. By serving green energy to residential, enterprises, and industrial markets. Therefore, Tesla excellently aligns the organization's value with social influence to the corporate strategies and vision applied by the company [12].

2.2. Communication Crisis

Timothy Coombs (2012) defines a crisis as the perception of an unpredictable event that threatens stakeholder expectations that can seriously affect the performance of an organization and produce negative outputs. Communication crisis occurs because of negative news which then has a bad impact on the company's business or the running of the organization [13]. Organizations, of course, may face crises if the business operate. To survive the intense struggle in this era of globalization, the crisis must be managed competently.

Crisis constantly affect the company’s image. For the most part, crises that cause disasters and have a major hit on society. An organization's recognition can disaffect dramatically during a crisis and can be the subject of ridicule. Dismissive outcomes will arise, such as lessen sales, stocks, profits, and confidence [14]. Nevertheless, crises can also deliver positive result, including positive modification, strategic planning, and new regulations [15]. Turner (1976) prioritizes on discovering solemn and technical corrective during crises and ignores the importance of governance culture in crisis management [16]. Organizational culture determines whether the organization is crisis-ready or crisis-prone. It either escalates crises or helps organizations prepare for, respond to, cope with, and learn during crises [17][18].

2.3. Organizational Learning and Crisis Management

In Effective Crisis Communication, there is potential for positive discourse theory that emphasizes opportunities after the crisis, namely theories that discuss renewal or rebuilding of the post-crisis period as learning called “Discourse Theory of Renewal” [17]. These theories include: Organizational Learning, Ethical Communication, Prospective Versus Retrospective Vision, and Effective Organizational Rhetoric.

The discourse of Renewal Theory is a crisis management theory of communication in organizations. The theory's focus on finding opportunities for positive change is a significant departure from much of the research in crisis communication. The focus of the organization in the reform process is to build the foundation to carry out its functions in a safer and socially responsible manner after the crisis. Concern for reputation is subdued by a genuine determination to enhance the organization's security, stability, and responsibility to stakeholders. Crisis responses that apply reform discourses highlight the emphasis on learning from crises, providing ethical responses emphasizing prospective visions, and effective rhetoric from the community or organizational leaders. Although the theory was introduced only two decades ago, its emphasis on positive change has impacted the definition, practice, and study of crisis communication.

2.4. Organizational Learning

The renewal discussion by organizing theoretical components identified as organizational learning, ethical communication, prospective rather than retrospective vision following the crisis, and effective organizational rhetoric [17]. Mitroff incorporates learning into his model of crisis management (Mitroff et al., 1988; Pearson & Mitroff, 1993; Mitroff, 2005). In general, learning is the final step in any crisis management model because previous studies used a pervasive reactive crisis approach. This shows that any change in organizational culture occurs during post-crisis learning [19]. Smith & Elliott introduce 3 learning concepts [20]:

- learning for a crisis
- learning as a crisis
• learning from a crisis.

According to Farrell et al (2008), organizational learning is valuable because it allows businesses to assess opportunities by minimizing the threats around the business. Organizational learning is capable of being rare because it is one of the productive learning resources. A successful organizational learning cannot be imitated due to its complexity. Finally, organizational learning gives the company a competitive advantage because it is not substitute [21].

Several studies have investigated the role of organizational learning in crisis preparedness and crisis management (de Sausmarez, 2007; Wang, 2008; Veil, 2011). Traditionally, learning is the last stage learned, and previous studies did not present a learning process to help organizations deal with crises (Deverell, 2012; Antonacopoulou & Sheaffer, 2014). One needs to reassess the role of learning in crisis management. Therefore, Senge's (2014) model can bridge this gap. This model can help build dynamic organizations’ capabilities because it uses organizational cultural barriers as opportunities to produce flexible crisis management programs. After that, they don’t rely on pre-written procedures during a crisis and can deal with any issues [22].

Organizational learning is considered the last stage during crisis management and does not build a crisis-resilient organization. Therefore, organizations need to embrace learning at all stages of a crisis (Deverell, 2012; Antonacopoulou & Sheaffer, 2014). These limitations impede understanding of the crisis and disable the alignment of organizational culture and learning. This study seeks to answer all these questions and develop an integrated crisis management model [23][24].

Heath, R. L., & O’Hair, H. D. have revealed that crises are considered to create opportunities for organizations to face problems or shortcomings [25]. Sitkin also argues that failure is a substantial part of the organizational learning process [26][27]. Three types of learning are necessary for learning from and overcoming crises, namely:

- Behavioral learning: external sources of change (regulations and technology systems)
- Paradigmatic learning: changes that come from internal and external
- Systemic learning: changes from internal organizations related to prevention and broader crises.

In another perspective, according to Castaneda et al., characteristic processes of organizational learning are knowledge creation and knowledge acquisition [28]. Although, other processes are also relevant to this field, such as knowledge transfer. The current definition of knowledge management includes the process of knowledge generation and acquisition, which corresponds to what was previously historically called organizational learning.

3. Method

This research was conducted using an interpretative case study approach. According to Cassell and Simon, qualitative methods are social science research methods that attempt to accurately describe and interpret the meaning of symptoms that occur in a social context. In a sense, that this method will emphasize efforts to interpret and not quantify the data collected [29].

According to Creswell, case studies are centered on case events, which after being studied will provide an intensive understanding of the “case”, including the understanding of incidents, activities, and processes by individuals or groups [30]. A case study is one of several qualitative approaches that provide an opportunity for researchers to examine cases by collecting detailed and in-depth data. This includes various information sources, such as interviews, observations, audiovisual materials, and documents or reports use, as well as case-based descriptions and case-based themes [31]. This study will use secondary data, sourced from various news articles and social media.

4. Results and Discussion

In this writing, the author will analyze the case of a communication crisis in Tesla and see how this Organizational Learning takes place in the Tesla organization. This method has 5 (five) steps whereas; Framing, Labeling, Summarizing, Synthesizing, and Concluding [32]. In this paper, framing analysis is carried out to find out key questions, flipping, and skimming, the beginning of
the case, and the end of the case. At this stage, some media news and literature will be analyzed to provide the proper recommendations to be continued at the next stage. Also should be remembered the key question of this research is How did the Tesla Inc Organization respond in dealing with the crisis following several accidents that tarnished the company's reputation? How did Tesla Inc handle the communication crisis with external stakeholders? What communication strategies are used to overcome the communication crisis?

There has been criticism on Twitter and some media coverage linking the incompetence of the Tesla research team with the failure of autopilot on Tesla drivers. Tesla initially had a communications department that could be a mediator between the media and companies in distributing information. The crisis is growing when Elon Musk removes the communications department, and various media become difficult to get information. Tesla's external communications became active on Twitter, but media journalists were still under-facilitated. The number of negative comments that cannot be controlled by Tesla in cyberspace increased negative sentiment towards the product and worsened the image when this crisis occurred.

At the labeling stage, there are 5 components to be analyzed: General Environment, Industry, Competition, Strengths & Weaknesses. All of these five components will describe the general and the case complex facts of the communication crisis that occurred in Tesla.

### Table 1. Tesla's Labeling

<table>
<thead>
<tr>
<th>Label</th>
<th>Details</th>
</tr>
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<tbody>
<tr>
<td>General Environment</td>
<td>Tesla is the worldwide pioneer of electric cars and autopilots features. Tesla is an automotive company at the forefront of technology and innovation. Lack of external communication but attracts a lot of people. People are enthusiastic about attendance, as cited in MotoTrend (Ireson, 2021). The presence of autopilot technology can help drivers to travel USDOT. The US government, under the auspices of the White House, developed “Ensuring American Leadership in Automated Vehicle Technologies: Automated Vehicles 4.0 (AV 4.0)”. This is a form of support from the United States government in developing an autopilot system for future vehicles.</td>
</tr>
<tr>
<td>Industry</td>
<td>Based on data from Good Car Bad Car (Cain, 2021), Tesla cars have sold 1,004,380 from 2015 to 2021 in the United States. Fossil fuels are less environmental-friendly fuels, making electric cars an environmentally friendly vehicle of choice.</td>
</tr>
<tr>
<td>Competition</td>
<td>The European New Car Assessment Program (NCAP) revealed that Tesla's Autopilot feature was outperformed by its competitors Audi, BMW, Mercedes-Benz, Ford, and Nissan in the European market. Things are different in general in the US market. According to Klender (2021), Tesla replaces Mercedes-Benz as the third most popular luxury brand in the US.</td>
</tr>
<tr>
<td>Strength</td>
<td>Tesla is an automotive company that puts forward futuristic technology. Tesla's buying interest continues to increase despite the current crisis. Tesla's continuous improvement in creating the best products for consumers. Direct communication from the Tesla CEO on social media replaces the role of public relations that has been removed. An open organizational culture allows for innovations to emerge to complete solutions. As a pioneer of electric cars, Tesla is the top of the minds of society.</td>
</tr>
<tr>
<td>Weakness</td>
<td>Tesla is relatively new to the automotive market compared to its competitors such as BMW, Mercedes Benz, and Audi. There were 11 accidents caused by a failed autopilot system. There is no media center or public relations. The media is not accommodated.</td>
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</table>

The five components will be summarized in the Summarizing stage, namely general environment, industry, competition, strengths & weaknesses. At this stage, some of the facts that have been found will be concluded into internal and external categories. External issues concern the main issues, industry conditions, and competition. Meanwhile, internal issues concern the strengths and weaknesses of the Tesla organization.
Table 2. Tesla’s Summarizing Stage

<table>
<thead>
<tr>
<th>Summarize</th>
<th>3C Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
<td>Tesla Inc. continues to innovate dynamically to create technology that can be a solution for its users.</td>
</tr>
<tr>
<td><strong>Consumer</strong></td>
<td>Tesla product users continue to use Tesla as their daily vehicle. With the recall for the latest autopilot installation, consumers are increasingly trusting Tesla’s services.</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>As a pioneer of electric cars with autopilot features, Tesla did not experience a downturn due to the crisis. Consumers remained interested.</td>
</tr>
</tbody>
</table>

**External General Environment**
- Tesla was silent during a crisis. The issues circulating in cyberspace were very fast and made the crisis go viral.
- The autopilot failure was due to “beta” software, which was supposed to be in the research phase in the lab. Elon Musk insists that the autopilot cannot be separated from the driver's control.
- Accident victims are not only Tesla drivers but vehicles that are affected by accidents and even kill lives.
- Tesla always announces that its autopilot is fit for use, but there have been 11 accidents that occurred due to the autopilot feature.

**Industry**
The transformation of the use of environmentally friendly vehicles has motivated many people to choose electric-powered vehicles such as Tesla.

**Internal Strengths**
- Mercedes Benz, BYD, BMW, Audi and Nissan
- Tesla continues to innovate and develop products.
- Tesla has been supported by stakeholders (Government and Investors) to innovate on autopilot.
- Elon Musk is active in cyberspace, especially Twitter, to communicate with stakeholders.

**Weaknesses**
- Tesla sells vehicles at a higher price than competitors BYD and Nissan.
- Different communication models so that the function of media relations towards the mass media.

At this stage, we will analyze the content of the key questions and facts found to find an evaluation of Tesla's crisis management strategy.

**Question 1**
How did the Tesla Inc Organization respond in dealing with the crisis following several accidents that tarnished the company’s reputation?

<table>
<thead>
<tr>
<th>Option / Hypothesis</th>
<th>Decision Criteria</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incorrect</strong></td>
<td>Organizational Learning – Systemic Learning</td>
<td>The removal of the communications department can optimize external communications on the communication channel on Twitter. As a form of transparency without any restrictions or filtering from the public.</td>
<td>Increase the possibility of negative issues developing and broaden the scope of the crisis. It will be difficult for journalists to ask questions because Elon Musk’s Twitter also interacts with the public.</td>
</tr>
<tr>
<td><strong>Correct</strong></td>
<td>Organizational Learning – Paradigmatic Learning</td>
<td>Tesla Model S, X, 3, and Y users are asked to fix the collision warnings and auto emergency braking features. This is a form of Tesla’s responsibility for the product. Tesla learns from mistakes and corrects them internally (by conducting advanced research and demonstrating a fatal failure to the public regarding Tesla products.</td>
<td></td>
</tr>
</tbody>
</table>
emergency braking features and providing services to external parties to build a positive image to users and the public.

**Question 2**

What communication strategies are used to overcome the communication crisis?

<table>
<thead>
<tr>
<th>Option / Hypothesis</th>
<th>Decision Criteria</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incorrect</strong></td>
<td>Denial</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organizational</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learning – Systemic Learning</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Elon Musk denied on the grounds of preserving his reputation by explaining based on available data.</td>
<td></td>
<td>Tesla Inc's denial of accidents caused by autopilot, which still needs further research in the laboratory, is an inappropriate step. Elon Musk has created a bad image externally.</td>
</tr>
<tr>
<td><strong>Correct</strong></td>
<td>Creating a digital discussion space on Tesla CEO Twitter</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Organizational</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learning - Paradigmatic Learning</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Two-way communication is the ideal communication. The Tesla audience needed a transparent discussion space with big figures in an organization. Because it is considered to have credibility and increase closeness to external audiences</td>
<td></td>
<td>Discussions in cyberspace potentially spread negative issues that cannot be controlled.</td>
</tr>
</tbody>
</table>

The last stage is concluding. The analysis is carried out by considering 4 components: Overall Recommendation, Key Supporting Facts, Implementation & Risks. All these components are used to conclude solutions, provide recommendations, follow up on implementation and mitigate risks that need to be carried out in completing case studies. The relationship between components can be described as in the following figure:

![Fig. 1. The relationship between components](image)

Tesla Inc has handled the communication crisis with the Discourse of Renewal method and focused on Organizational Learning in dealing with the communication crisis after the autopilot failure. Through paradigmatic learning, Tesla has created an open discussion space in cyberspace so that audiences can communicate directly with Tesla CEO, Elon Musk. Although the communications department has been removed by Tesla, the public can comment and communicate. On the other hand, there is systemic learning where changes are sourced from internal organizations related to prevention and broader crises. The removal of the communications department has allowed Elon Musk to serve as the company’s spokesperson and centralized internal communications [33]. Figure 1 explains several things, including:

a) **Key Supporting Facts**

First, Elon Musk’s Twitter has been followed by more than 68 million people, so having a broad influence in cyberspace can be a potential in improving your image or increasing a positive image. Second, Media coverage that tends to be negative is a new challenge for Tesla Inc, which now does not have a media center or media relations function. Tesla needs to optimize the information channels used, such as websites and social media, to become communication channels between the organization and the media [34].
b) Implementation

Tesla Inc will routinely conduct internal evaluations of its technology and receive consumer complaints about improvement. With transparency on social media, it can help positive sentiment and help the Tesla brand exist in cyberspace. Organizational change can have an impact both externally and internally, making the CEO as a communication icon a solution so that communication becomes centralized [35].

c) Risk

There will be a risk of developing negative issues that cannot be overcome. The use of social media as a communication channel will make it possible when a crisis occurs. Conversations are recorded in real-time and will be viewed globally, with the disruption of digital media, crisis mitigation is increasingly complex, and more sophisticated monitoring is required [36].

5. Conclusion

Based on the analysis that has been carried out, it can be concluded that what Tesla did, by using the figure of Elon Musk as a spokesperson on the Twitter social media channel, could be used as a strategy to overcome the communication crisis when the mass media did not get access to ask questions about this crisis. Ideally, an organization should have a public relations department. This department could be replaced by Elon Musk as Tesla’s spokesperson and CEO. The organizational learning approach is the path taken by the Tesla company in dealing with the crisis. This strategy will be carried out at all stakeholders levels. Or stakeholders can understand the organizational situation that is in crisis.

When referring to the logic of constructivism, the use of organizational learning and crisis management in Tesla has different implementations in the field. Nevertheless, at least there are standard steps that must be carried out by a public relations officer, or a team formed by management in responding to, anticipating, and dealing with issues or crises. In response to this crisis, Tesla has made organizational changes internally. Elon Musk has removed the public relations department. Changes in organizational structure are one of the organizational steps to prevent communication crises in the future. Crisis handling cannot be done by a few people but involves all stakeholders.

References


