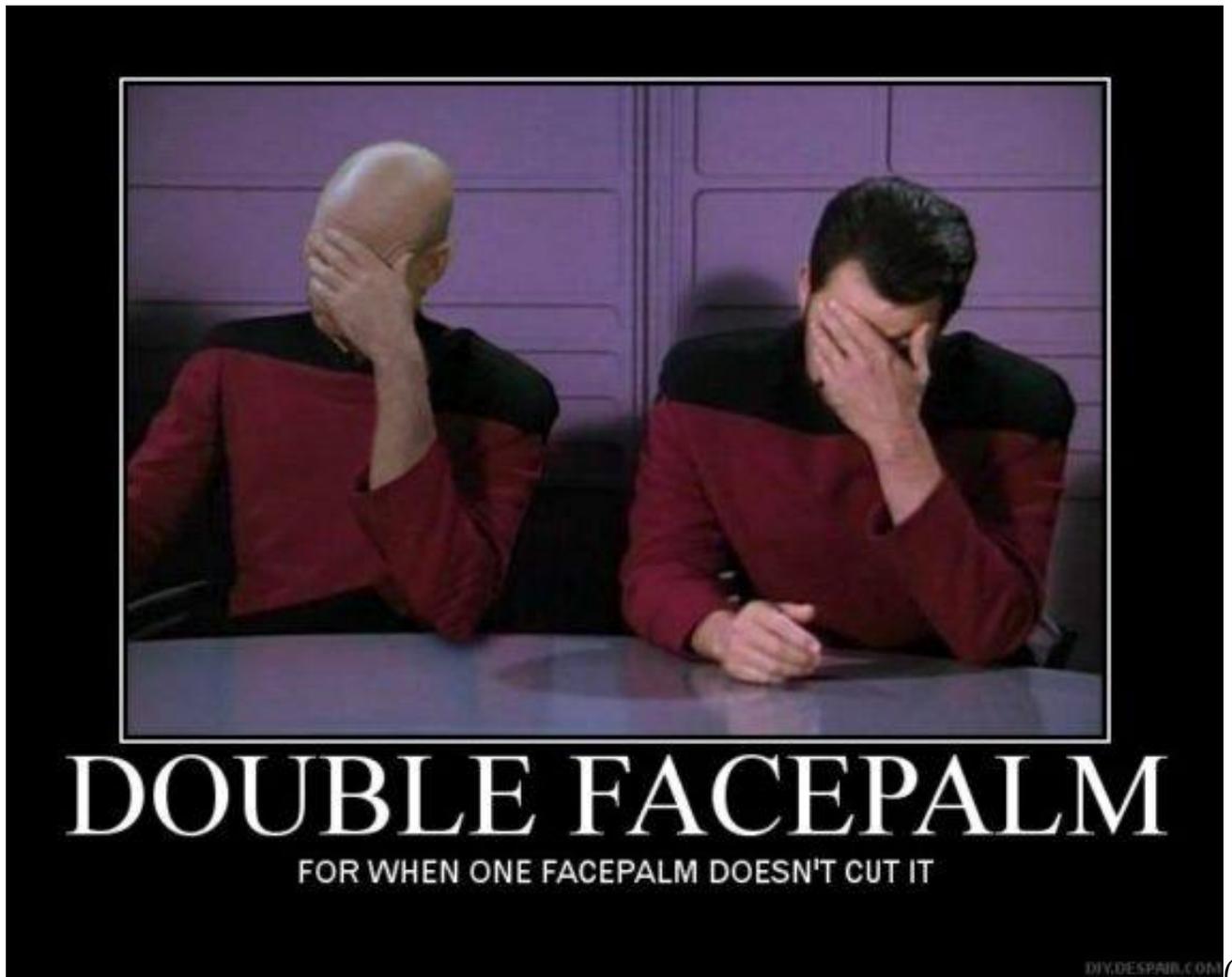


## Elon & The Terrible, Horrible, No Good, Very Bad Quarterly Call



*[Double Facepalm](#) by emey87. Source: DeviantArt)*

*(How about that — I didn't realize [the movie](#) was based on [a book](#)!)*

I get the sense that Elon Musk doesn't know what a CEO is supposed to do, and that his dream job is to be a bossless Chief Engineer, which may be the role he's carved for himself at SpaceX. That's not good for Tesla.

I get this sense because he wasn't ready for the quarterly results call, even though that's one of the most important days of the year for a public company CEO. That goes double if the company is losing oceans of money — Liam Denning's calculation of Tesla's losses this year over on Bloomberg is [here](#).

Elon's determination to being where the problem is, is admirable in the abstract, but it's terrible in practice. If your CEO — who has recently fired 700 people, no less — shows up one day to help you solve your problem and then comes up with a bad idea, is anyone going to point that out? Good managers and leaders allow the true experts — the people on the ground, struggling with the problem — to solve those problems, because they know the experts know more than them.

Even if a general used to be a sharpshooter, when they become generals, they don't go in the field in the middle of a crisis to do a better job than their snipers. They worry about bigger issues, like strategy and logistics. Musk's scorched-earth approach to criticism has begun to backfire ([the epilogue to this article](#) I wrote a little while back is proving prescient) and Tesla's logistics might be its weakest link. We've learned that Tesla is setting up two warehouses near its Fremont factory to store inventory. That might sound like a good thing, but it shows bad planning: Toyota and GM didn't need additional warehouses when they were making [400,000 vehicles per year](#) (see the second graphic). Tesla needing warehouses at lower production levels is "[muda](#)" — waste. It's wasting money buying parts before it needs them, wasting money leasing warehouse space, wasting money having engineers design a robot system to pick inventory they shouldn't have bought yet, and wasting money getting the stuff transported back and forth.

Blaming a supplier — publicly! Again!! — is another problem, because Tesla will eventually run out of companies willing to work with it. Elon did eventually say on the call that Tesla and he were ultimately responsible, but this is definitely not an arena where you'd rather ask for forgiveness than ask for permission.

There are a couple litmus tests you can run on a company's announcements. One is whether it gives customers/industry observers more confidence, or less confidence, in the company. Another is whether it makes competitors more afraid, or less afraid. By both measures, this was a very bad call.

From my worm's-eye view, it doesn't look like Tesla has learned anything from the production hell they went through for the Model X — that's really bad. And if their competitors were worried about Tesla before (and they should have been, given how game-changing a successful Model 3 rollout would be), they might not be now. The legacy OEMs' disciplined-if-dull execution could beat Tesla's inspired-but-slapdash brilliance seven days a week, twelve months a year.

Consider that Nissan can already make 500,000 LEAFs per year if there's demand (they have facilities in Japan, the US, and the UK) and that all Model 3 buyers will face a months-long delay, with many probably facing a year or more. The LEAF 2.0 will win "conquest" sales, the Bolt EV has no doubt won some already, and their salespeople's ultimate weapon will be to play sections of the conference call, which shows Tesla to be late and disorganized — exactly what you don't want from the company whose \$35,000+ vehicle you're about to purchase.

We can hope that Tesla's Q4 — and Q4 conference call — go better, because human ingenuity may be infinite, but Tesla's competitive advantages are finite, reservation holder patience is even more finite, and investor confidence can be downright fickle. Profitable companies have the luxury of thumbing their nose at Wall Street, but if you rely on it for funding through stock or bond offerings like Tesla does, you're at their mercy. To disrupt the auto and energy industries, Tesla really, really needs to avoid disrupting its own chances at success. We'll see in three months' time how much progress they've made.