



Heart-Based Hiring: How Tesla is Plugging Into the Power of Personality

“One of the worst hiring mistakes that I've made in the past is looking too much at (a candidate's) intellectual capability alone and not on how they affect those around them... I think it matters whether someone has a good heart.

– Elon Musk, CEO of Tesla

Over the last 13 years Tesla has gone from losing both founders and running low on cash to becoming the fastest growing brand, as well as leading electric vehicle brand worldwide, valued today at over \$655 billion.¹ How did Elon Musk, who took over as CEO in 2008, save this failing business? He built a team based not only on performance, but on personality.

THE CHALLENGE²

Tesla Motors was founded in 2003 with the intent of doing what no company had done before; commercialize the production and sale of electric vehicles. Recognizing the potential of that vision, Elon Musk invested \$30 million in the company and became the chairman of its Board of Directors. Musk chaired Tesla through the launch of their first vehicle, the Roadster, in 2006. However, just a few months later both of Tesla's founders, who served as CEO and CFO, permanently resigned from the company. Musk took over as CEO and immediately fired 25% of the company's staff. Not only did this leave Tesla operating with a significantly reduced team, the company was also facing serious financial problems. In 2009, despite launching the Roadster, Tesla had less than \$10 million in cash on hand, potentially less than it needed to deliver the cars it had already sold. At this point, stakeholders held their breath and wondered whether Musk would be able to salvage this dying company, and whether Tesla would become the ground-breaking electric vehicle manufacturer they had aspired to establish.



→ WHAT HAPPENED

Tesla may have gotten off to a rocky start, but under Musk's leadership the team recovered and grew quickly. Today, Tesla is the fastest growing brand worldwide, as well as the leading electric vehicle brand.¹ Tesla's Model 3 has become the world's best-selling plug-in electric vehicle model, and the company is now averaging quarterly vehicle deliveries of 180,600 units.¹ On the financial side, Tesla is also breaking records. The company has a worldwide revenue of \$31.5 billion,¹ and a market capitalization of \$655 billion.³ Elon Musk himself is worth \$149 billion, making him the world's second richest person, ahead of Bernard Arnault, and superseded only by Bill Gates.³ Over the years, Musk has not only recovered Tesla, he's turned it into the powerhouse we know today. How did he do it? The answer lies with his team.

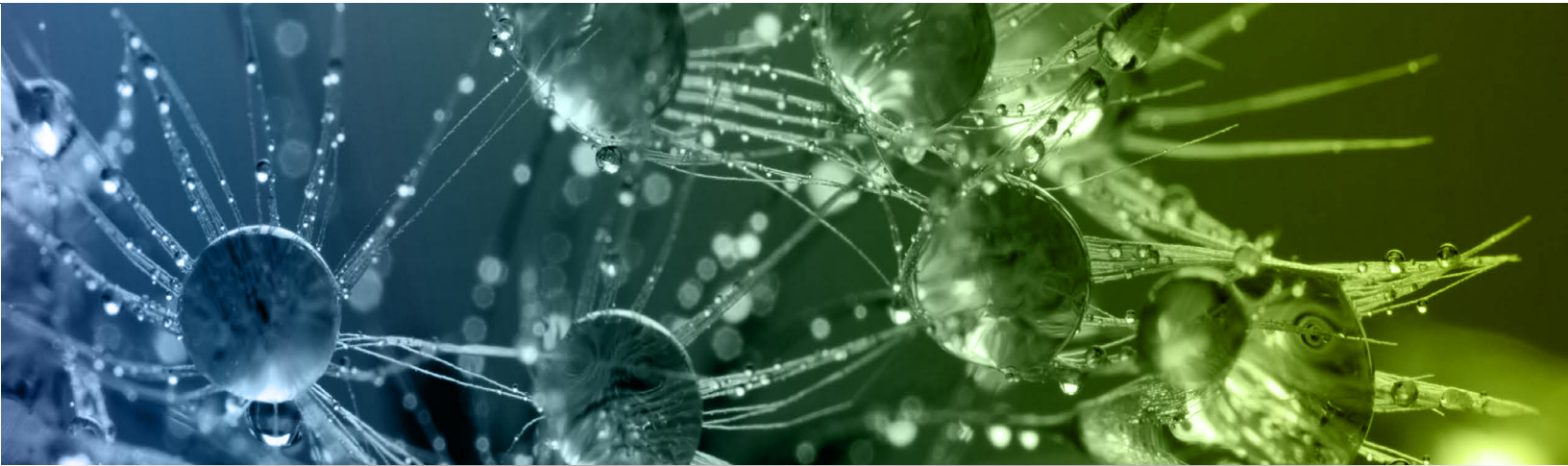
→ HOW THEY GOT THERE

After Musk joined Tesla and fired a quarter of his staff, he began a rapid revamp of the company's team. And he wasn't the only one. Hiring trends in the United States show that 67% of the nation's fastest growing companies reference finding new talent pools and recruiting top talent as their highest priority.⁴ In the span of five years (2010-2015) the company grew from 200 to 16,000 employees worldwide.⁵ Looking back on her time as a Tesla Recruiter, Marissa Peretz reflects, "Elon is really obsessed with hiring world class talent. The pressure was on recruiting... We had to do written bios on every single person. The janitor. The assemblers. The cafeteria workers. He had to approve every single hire."⁵ So what does it take to work for Tesla? What is "top talent" in the eyes of Elon Musk? Surprisingly, it's not the number of letters you have behind your name.

Tesla recently launched a hiring campaign to recruit a new team for the company's artificial intelligence (AI) department. "Join AI at Tesla" Musk tweeted on Sunday February 2nd, 2020. "A PhD is definitely not required... I don't care if you even graduated high school." Instead what is required is a "deep understanding" of AI and that candidates pass a "hardcore coding test."⁶ As a Stanford graduate school drop-out, Musk has often expressed his opinion on the unimportance of degrees. "Bill Gates, Larry Ellison, and Steve Jobs didn't graduate from college," he reasoned, "but if you had a chance to hire them, of course that would be a good idea." Instead of degrees and diplomas, Musk emphasizes technical skills and personality. The latter is unusual. While most companies look for task-based proficiency, few value emotional intelligence, character, or specific personality traits. Elon Musk does. Why?

MEET ELON

Elon Musk was born in South Africa and grew up with dual citizenship thanks to his Canadian mother. He began his career in technology at a young age, creating and selling a video game at just 12 years old. Musk began his post-secondary education at Queen's University in Kingston, Ontario, leaving South Africa when he was 17 to avoid mandatory military service. He then quickly transferred to the University of Pennsylvania, Philadelphia, to complete a bachelor in physics and economics. In line with his focus on competency over degrees, Musk left Stanford's graduate school after only two days of classes, deciding instead to pursue entrepreneurship. In 1995 Musk created his first company, Zip2, which provided and licensed online city guide software, resembling an internet version of the yellow pages telephone directory. Shortly after selling Zip2 to a computer manufacturer (for \$307 million), he went on to create X.com, which later became PayPal and launched his career as we know it today.⁹ After becoming one of the first significant investors in Tesla, Musk has continued his journey in the technology industry through his involvement with SpaceX, SolarCity, Neuralink, OpenAI, and The Boring Company. Today, he is involved in 5 companies in the technology and science sectors.¹⁰



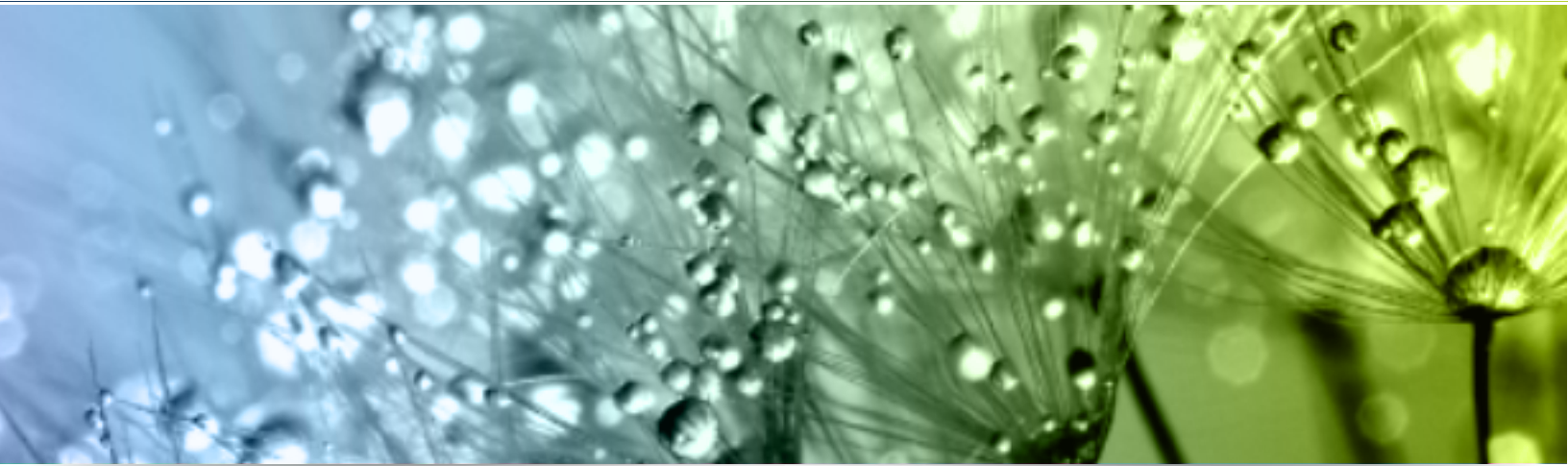
In a recent interview, Musk spoke to his hiring strategy at Tesla. "One of the worst hiring mistakes that I've made in the past is looking too much at (a candidate's) intellectual capability alone and not on how they affect those around them... I think it matters whether someone has a good heart." Musk then expanded on why technical skills and intellectual ability aren't necessarily the most important factors in his hiring decisions by explaining that "the best person on the team is not necessarily the one who scores the most goals, it could be the person who assists the most goals."⁷ Musk's hiring strategy clearly exemplifies a culture of teamwork, which explains his personality-driven selection strategy. When a company is hiring individuals, it's easy (and sufficient) to emphasize intellect or skill. But when you're hiring a team, one that you intend to mobilize towards a common, ambitious goal, it becomes important to evaluate how those individuals will interact.

In order to recruit people who not only demonstrate top talent, but will fit Tesla's team, Musk has implemented a rigorous hiring process. A single role takes about two months to fill, and screening involves approximately 5-15 applicants. The process begins with a preliminary conversation focusing on the candidate's background and greatest accomplishments, with the goal being to gauge technical abilities and get a sense of their career trajectory. Next, a hiring manager will ask technical and cultural questions, also touching on position-related factors affecting each hire (e.g., relocation and compensation). If the candidate is successful at both of these stages, they are invited to an onsite interview. This is a day of rigorous work sampling tests, as well as several individual and panel interviews. At each stage of the process, the candidate must demonstrate strong problem-solving skills and "wow" everyone involved. Finally, the challenge is to impress the CEO. Every new hire at Tesla goes through Elon Musk himself, whether it is by personal or phone interview, or an essay explaining why they want to work at Tesla and why they should be hired. Musk also takes the opinions of his hiring staff into account, knowing they will only go to bat for someone they feel strongly about. "If we wanted (Elon) to interview someone, we essentially had to pitch him before we could set that up," said one of Tesla's recruiters,⁸ "He was very critical and would push back on us if he didn't think we had answered the things he wanted to know."⁵

Musk's recruiting style emphasizes the value he places on people. This answers the question of how he brought Tesla from the brink of dissolution to the height of performance today. Tesla's vehicles might run on electricity, but the company runs on its people. These aren't people with PhDs or, to reference Musk's 2020 AI hiring campaign, who have even graduated high school. These are people who have the technical skills Tesla doubtlessly demands, but more importantly, according to Elon Musk, these are hard-working people with a "good heart."⁹

FUN FACTS¹¹

- Tesla stands for Tera electron volt Energy Superconducting Linear Accelerator
- Martin Eberhard and Marc Tarpénning founded Tesla with a vision of building "a car manufacturer that is also a technology company"
- In the name of their mission "to accelerate the world's transition to sustainable energy," Tesla has opened all of its patents so that other companies can use their design and features
- Tesla's cars come with regular software updates (and can enter sleep mode) just like your phone
- The Tesla Roadster 2020 holds the record for the fastest electric car in the world
- Tesla Model S and Model X hold safety records with National Highway Traffic Safety Administration (NHTSA) on having the lowest and second-lowest injury probabilities, and Model 3 holds the record for being the safest car ever built



→ KEY TAKEAWAYS

1. **PERSONALITY MATTERS** Not many employers will formally state that they look for people who have a good heart; Tesla does. This emphasis on character is clearly correlated with significant organizational success, so perhaps it is a factor that more employers should consider. When hiring new members of your team, evaluate the effect an individual could have on others, and consider how their personality will play into the performance of the team.
2. **TECHNICAL SKILLS ARE NOT MARKED BY DEGREES** Personality is important, but technical skills are too. Unfortunately, a common mistake among hiring managers is to assume that the most educated candidate will also be the most qualified. Musk, who developed and sold a video game at age 12, then later dropped out of Stanford's graduate school, highlights the importance of skill and determination over degrees and technical qualifications. Therefore, when implementing hiring strategies, it's important to find ways to test a candidate's skill beyond looking at the degree on their resume.
3. **TEAMWORK MAKES THE DREAM WORK** At the end of the day, every company is a team because every employee is working towards a common goal: the organization's success and profitability. Tesla's culture of teamwork is evident beyond their hiring approach – it's built in their guidelines for how the company runs. Musk emphasizes that there is no hierarchy, saying, "Anyone at Tesla can, and should, email/talk to anyone else according to what they think is the fastest way to solve a problem for the benefit of the whole company... We are all in the same boat. Always view yourself as working for the good of the company and never your dept."⁸ To achieve Tesla's vision, it's more important to consider how well people work together than how well they work on their own. Tesla exemplifies the power of a strong team culture, and this case highlights how the performance of the team is determined in no small way by the personality of its players.

A QUICK HISTORY OF TESLA

Tesla was founded in 2003 by Martin Eberhard and Marc Tarpenning in San Carlos, California. Their goal was to produce an entirely electric vehicle, inspired by General Motor's electric car experiment, the EV1, which performed very well in test markets but was only run from 1996-1999 and never produced a car for public purchase. Eberhard and Tarpenning named their company Tesla Motors after Nikola Tesla, a 19th-century engineer known for discovering the properties of rotating electromagnetic fields. His research led to the invention of the "alternating current" which was much more efficient than Thomas Edison's "direct current" and is the form of electrical transmission we still use today. Eberhard began his career as Tesla Motor's CEO, and Tarpenning as CFO. A year later, in 2004, Elon Musk invested \$30 million in the company and became the chairman of its Board of Directors. In 2006, Tesla Motors unveiled their prototype for their first electric car, the Roadster, which entered production in 2008. As an entirely electric vehicle that met consumer needs, the Roadster was the first of its kind. However, the original model cost over \$100,000, and while it could travel almost 250 miles on a single battery, charging it took 24-48 hours on a standard home outlet. Today, that charging time has been reduced to nearly an hour, and Tesla's cheapest vehicle (Model 3) is priced at just over \$50,000. In 2010, Tesla went public, raising \$226 million in their IPO. Today, Tesla sells four models of electric cars and a newly unveiled Cybertruck. The company also produces the Powerwall, a stand-alone energy source for homes. Tesla shares are currently valued at over \$600, climbing dramatically from the \$17 for which they were originally offered in June 2010 on the Nasdaq exchange.²



→ HOW SIGMA CAN HELP

Looking for more? SIGMA's personality and leadership assessments can help your organization make better hiring decisions. We offer a range of assessments that will help you build a better team. For example, our [Leadership Character Insight Assessment \(LCIA\)](#) measures key dimensions of leader character, their corresponding elements, and how they interact to influence leadership effectiveness. Another useful tool is our [Leadership Skills Profile – Revised \(LSP-R\)](#). While the LCIA focuses on character, this assessment focuses on leadership potential. The LSP-R provides an in-depth report of 50 leadership competencies, highlighting individual areas of strength and opportunities for improvement. It's important to note that the LSP-R is not an ability-based assessment. Instead, it uses a competency-based approach that builds on each candidate's underlying personality profile. All of SIGMA's assessments are based on over 50 years of industry experience and developed with strict academic rigor. We have conducted over 4 million assessments and received nearly 4,500 citations. To learn more about our assessments and how SIGMA can help, click [here](#) or [contact us](#) directly. We're here to help you build a better hiring process. ■

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