



The Global Leadership of Carlos Ghosn at Nissan

John P. Millikin ■ Dean Fu

I did not try to learn too much about Japan before coming, because I didn't want to have too many preconceived ideas. I wanted to discover Japan by being in Japan with Japanese people."¹

"Well, I think I am a practical person. I know I may fail at any moment. In my opinion, it was extremely helpful to be practical [at Nissan], not to be arrogant,

and to realize that I could fail at any moment."

Carlos Ghosn, 2002²

INTRODUCTION

Nissan had been incurring losses for seven of the prior eight years when, in March 1999, Carlos Ghosn (pronounced

* A teaching note for this case study is available from the author.

¹ "Decision-Making and Coordination Structures of the Alliance," 20 October 1999, <http://www.nissan-global.com>.

² "Nissan President Carlos Ghosn Talks about His Company's Recovery," *Nikkei Business*, 20 May 2002, <http://nb.nikkeibp.co.jp/Article/1142>.

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Dr. John P. Millikin is the academic director for the Global Strategic Human Resources program in Thunderbird Executive Education and a visiting professor of management. Prior to joining Thunderbird, he was vice president of human resources at Motorola. He has also served as a national vice president of the Society for Human Resource Management (SHRM). His PhD is from Arizona State University, where he also serves as a faculty associate (millikij@t-bird.edu).

Dean Fu, who received his MBA from Thunderbird in 2003, is an international development professional working in Bosnia and Herzegovina on a USAID project regarding process and system improvement projects with ten governments at the municipal level. He has also worked on similar projects in Kazakhstan. Prior to international work, Mr. Fu led process and system improvement teams at Ericsson, Inc. and at medium-sized commercial printing companies in the United States (dean_fu@yahoo.com).

Ghosn boldly pledged to step down if Nissan did not show a profit by March 2001...

GOHN) took over as the first non-Japanese Chief Operating Officer of Nissan. Many industry analysts anticipated a culture clash between the French leadership style and his new Japanese employees. For these analysts, the decision to bring Ghosn in came at the worst possible time because the financial situation at Nissan had become critical. The continuing losses were resulting in debts (approximately \$22 billion) that were shaking the confidence of suppliers and financiers alike. Furthermore, the Nissan brand was weakening in the minds of consumers due to a product portfolio that consisted of models far older than competitors. In fact, only four of the company's 43 models turned a profit. With little liquid capital available for new product development, there was no indication that Nissan would see increases in either margin or volume of sales to overcome the losses. The next leader of Nissan was either going to turn Nissan around within two to three years, or the company faced the prospect of going out of business.

Realizing the immediacy of the task at hand, Ghosn boldly pledged to step down if Nissan did not show a profit by March 2001, just two years after he assumed duties. But it only took eighteen months (October 2000) for him to shock critics and supporters alike when Nis-

san began to operate profitably under his leadership.

BACKGROUND OF CARLOS GHOSN

Born in Brazil in 1954 to French and Brazilian parents, both of Lebanese heritage, Carlos Ghosn received his university education in Paris. Following graduation at age 24, Ghosn joined the French firm, Compagnie Générale des Etablissements Michelin. After a few years of rapid advancement to become COO of Michelin's Brazilian subsidiary, he learned to manage large operations under adverse conditions such as the runaway inflation rates in Brazil at that time. Similarly, as the head of Michelin North America, Ghosn faced the pressures of a recession while putting together a merger with Uniroyal Goodrich. Despite his successes in his 18 years with Michelin, Ghosn realized that he would never be promoted to company president because Michelin was a family-run company. Therefore, in 1996 he decided to resign and join Renault S.A., accepting a position as the Executive Vice President of Advanced Research & Development, Manufacturing, and Purchasing.

Ghosn led the turnaround initiative at Renault in the aftermath of its failed merger with Volvo. Because he was so focused on increasing margins by improving

cost efficiencies, he earned the nickname “Le Cost-Killer” among Renault’s top brass and middle management personnel. Three years later, when Renault formed a strategic alliance with Nissan, Ghosn was asked to take over the role of Nissan COO in order to turn the company around in a hurry, just as he had done earlier in his career with Michelin South America. For Ghosn this would be the fourth continent he would work on, which combined with the five languages he spoke, illustrates his capacity for global leadership.

BACKGROUND OF NISSAN

In 1933, a company called Jidosha-Seizo Kabushiki-Kaisha (which means “Automobile Manufacturing Co., Ltd.” in English) was established in Japan. It was a combination of several earlier automotive ventures and the Datsun brand which it acquired from Tobata Casting Co., Ltd. Shortly thereafter in 1934, the company name was changed to Nissan Motor Co., Ltd. After the Second World War, Nissan grew steadily, expanding its operations globally. It became especially successful in North America with a lineup of smaller gasoline efficient cars and small pickup trucks as well as a sports coupe, the Datsun 280Z. Along with other Japanese manufacturers, Nissan was successfully competing on quali-

ty, reliability and fuel efficiency. By 1991, Nissan was operating very profitably, producing four of the top ten cars in the world.

Nissan management throughout the 1990s, however, had displayed a tendency to emphasize short-term market share growth, rather than profitability or long-term strategic success. Nissan was very well known for its advanced engineering and technology, plant productivity, and quality management. During the previous decade, Nissan’s designs had not reflected customer opinion because they assumed that most customers preferred to buy good quality cars rather than stylish, innovative cars. Instead of reinvesting in new product designs as other competitors did, Nissan managers seemed content to continue to harvest the success of proven designs. They tended to put retained earnings into equity of other companies, often suppliers, and into real-estate investments, as part of the Japanese business custom of *keiretsu* investing. Through these equity stakes in other companies, Ghosn’s predecessors (and Japanese business leaders in general) believed that loyalty and cooperation were fostered between members of the value chain within their *keiretsu*. By 1999, Nissan had tied up over \$4 billion in the stock shares of hundreds of different companies as part of this *keiretsu* philosophy. These investments, however,

After the Second World War, Nissan grew steadily, expanding its operations globally.

Renault wanted a partner that was savvy and established in the North American and Asian markets.

were not reflected in Nissan's purchasing costs, which remained between 20-25% higher than Renault's. These *keiretsu* investments would not have been so catastrophic if the Asian financial crisis had not resulted in a devaluation of the yen from 100 to 90 yen = 1 US dollar. As a result, both Moody's and Standard & Poor's announced in February 1999, that if Nissan could not get any financial support from another automobile company, then each of them would lower Nissan's credit rating to "junk" status from "investment grade."

Clearly, Nissan was in need of a strategic partner that could lend both financing and new management ideas to foster a turnaround. In addition, Nissan sought to expand into other regions where it had less presence. In March 1999, Nissan President and Chief Executive Officer Yoshikazu Hanawa found such an alliance opportunity with Renault, which assumed a 36.8% stake in Nissan, allowing Nissan to invest \$5.4 billion and retain its investment grade status. Hanawa was also able to get Renault's top management to agree to three important principles during negotiations:

1. Nissan would maintain its company name
2. The Nissan CEO would continue to be selected by the Nissan Board of Directors

3. Nissan would take the principal responsibility of implementing a revival plan.

It was actually Hanawa who first made the request to Louis Schweitzer, CEO of Renault, to send Carlos Ghosn to Nissan to be in charge of all internal administration and operations activities.

Why would Renault agree to all of these conditions in this bailout of Nissan? Renault was also looking for a partner, one that would reduce its dependence on the European market and enhance its global position. In 1997, 85% of Renault's revenue was earned in Europe, 32.8% of which came from its domestic (French) market. Renault also had high market share in Latin America, especially Brazil. On the other hand, Nissan has the second largest market share in Japan and a strong market share in North America (see Appendix 2, Nissan's market share). Nissan lacked, however, market share and distribution facilities in Latin America. By creating the new alliance, Nissan and Renault expected to balance their market portfolios and become more competitive. Renault wanted a partner that was savvy and established in the North American and Asian markets. Furthermore, the merger of Daimler and Chrysler in May 1998 gave Renault a sense of urgency

about finding a partner to compete more effectively on a global scale. As a result, Renault and Nissan agreed to a Global Alliance Agreement on March 27, 1999, with Carlos Ghosn designated to join Nissan as COO.

ADDRESSING NATIONAL CULTURE ISSUES

When Ghosn went to Japan, he knew that industry analysts were reasonable in doubting whether a non-Japanese COO could overcome Japanese cultural obstacles, as well as effectively transform a bureaucratic corporate culture. Ghosn was going to have to address several Japanese cultural norms in order to transform the company back into a successful one.

The following are some of the issues he faced.

Consensus Decision-Making and its Relationship to Career Advancement

Since the war, the Japanese business culture for decades had been producing leaders who were very good at reaching consensus and working cooperatively within a department (a derivative of the *mura-shakai* consensus based society system). Thus, the conventional wisdom in Japan was that conscientiousness and cooperation were the key elements to maintaining

operational efficiency and group harmony. This paradigm often resulted in delays to the decision making process in an effort to achieve consensus.

As an unintended consequence of the emphasis on conscientiousness, Japanese professionals tended to avoid making mistakes at all costs in order to protect their career growth. This can result in frequent informal informational meetings and coalitions (called *nemawashi*) that occur between professional departments prior to a decision-making meeting. Through these informal contacts, participants try to poll the opinions of other participants beforehand in order to test which positions have the strongest support so that their position is aligned with the position most likely to be influential. Then, at the time for a meeting with their superiors, participants tender their aligned positions one by one to the ultimate decision maker with the feeling that if the decision maker agrees to the consensus, then no one individual can be identified later for originating a faulty position if that decision results in failure. Rules and conformity replace process.

In Japan, age, education level, and number of years of service to an organization are key factors determining how an employee moves up the career ladder. Due to a cultural tenet

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The consensus was that other departments and other employees were creating the company's problems.

called *Nennkou-Jyoretu*, placing power in the hands of the most knowledgeable and experienced, promotions are normally based on seniority and education. In practice, the only things that usually thwart these time- and education-based promotions are performance errors that reflect poorly on the team and any behavior that causes disharmony among team members. When something goes wrong, the most senior person accepts responsibility while accountability at lower levels is diffused.

This part of Japanese culture had been useful to reinforce control over operations and enhance quality and productivity. During the postwar period of the company's growth, it contributed to great working relationships among everyday team members at Nissan, but these norms, by the mid 1990s, were actually impeding the company's decision making. Specifically, these cultural norms severely hampered risk-taking and slowed decision making at all levels. Existing teams of employees routinely spent much time on concepts and details, without much sense of urgency for taking new action, due in part to the risks involved with actions that could result in failure. This mindset contributed to a certain degree of complacency with market position and internal systems at Nissan,

undermining the company's competitiveness.

In a related cultural issue, as employees became increasingly aware that Nissan was not performing well, the Japanese culture of protecting career advancement led to finger pointing rather than acceptance of responsibility. Sales managers blamed product planning. Product planning blamed engineering. Engineering blamed manufacturing and so on.

When Ghosn first arrived in Japan, he was surprised to learn that, while most of the employees sensed that there was indeed a problem within the company, they nearly always believed that their respective departments were operating optimally. The consensus was that other departments and other employees were creating the company's problems. Ghosn also learned that many of the employees of the company did not have a sense of crisis about the possibility of bankruptcy at Nissan because of the Japanese business tradition, which implied that large troubled employers would always be bailed out by the government of Japan. This view was based on the long standing partnership between the government and the major businesses to ensure employment and expand exports to world markets. The businesses for their part were committed to

providing lifetime employment to their workers.

ADDRESSING CORPORATE CULTURE ISSUES

Not only were there Japanese cultural norms for Ghosn to contend with, but there were procedural norms at Nissan, both formal and informal, which were holding the company back. First, once decisions were made at Nissan, the follow-up during implementation was often not effective. This was not usually the case in other Japanese companies. Second, top management had developed tunnel vision regarding its strategic focus on regaining market share, as opposed to restoring margin per unit sold. This was in part due to a focus on what was best for maintaining the company's size and its employees, i.e. more units to produce, rather than what was best for customers (newer, better products to meet market demands) or for investors (higher earnings and higher stock value). Additionally, in an unusual break from Japanese business culture, there were communication problems between the layers of the organization. Staffs seemed relatively uninformed of key corporate business decisions, while top management seemed out of touch with what policy execution issues were present at the middle and lower management levels.

Ghosn realized that Nissan's fundamental problem was the lack of vision from management and the persistent problem of ignoring the voice of Nissan's customers.³ Furthermore, he identified the following problems at Nissan:

1. Lack of a clear profit orientation
2. Insufficient focus on customers and too much focus on competitors
3. Lack of a sense of urgency
4. No shared vision or common long term plan
5. Lack of cross-functional, cross-border, cross-cultural lines of work.⁴

CARLOS GHOSN'S PHILOSOPHIES OF MANAGEMENT

Despite all of his doubters, Ghosn embraced the cultural differences between the Japanese and himself, believing fervently that cultural conflict, if paced and channeled correctly, could provide opportunity for rapid innovation. He felt that by accepting and building on strengths of the different cultures, all employees, including Ghosn himself, would be given a chance to grow personally

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³ ルネッサンス 「再生への挑戦」, p. 155, Carlos Ghosn (2001) (August 10, 2002).

⁴ 日産ゴーン「成算ありやしや」, p. 26, 小学館文庫 (2000) (August 8, 2002).

An organization can only be effective if followers believe that what the leaders think, say, and do are all the same thing.

through the consideration of different perspectives. The key, he reiterated many times, was that no one leader should try to impose his/her culture on another person who was not ready to try the culture with an open mind and heart. In this vein, Carlos Ghosn came to Japan knowing that if he were to start imposing reforms by using the authority of his company position, rather than work through the Japanese culture, then the turnaround he sought would likely backfire.

What he did bring with him was three overriding principles of management that transcended all cultures. And he used these as a backdrop to give employees structure as to their efforts of determining the proper reforms. These three principles are as follows:

1. Transparency—an organization can only be effective if followers believe that what the leaders think, say, and do are all the same thing.
2. Execution is 95% of the job. Strategy is only 5%—organizational prosperity is tied directly to measurably improving quality, costs, and customer satisfaction.
3. Communication of company direction and priorities—this is the only way to get truly unified effort and buy-in. It works even when the company is facing layoffs.

THE FIRST MONTHS IN JAPAN AND THE CROSS-FUNCTIONAL TEAMS

When you get a clear strategy and communicate your priorities, it's a pleasure working in Japan. The Japanese are so organized and know how to make the best of things. They respect leadership.

Ghosn⁵

Even though Ghosn expected that his attitude toward cultural respect and opportunism would lead to success, Ghosn was pleasantly surprised by how quickly Nissan employees accepted and participated in the change of their management processes. In fact, he has credited all of the success in his programs and policies (described below) to the willingness of the Nissan employees at all levels to change their mindsets and embrace new ideas.

Perhaps it was the way he started that set the foundation among the employees. He was the first manager to actually walk around the entire company and meet every employee in person, shaking hands and introducing himself. In addition, Ghosn initiated long discussions with several hundred managers in order to discuss their ideas for turning Nissan around. This began to address the problems within the

⁵ Middleton, John. ExpressExec.com, <http://www.expressexec.wiley.com/ce/ce07.01.07/sect0.html>, Acquiredon Internet, 7 August 2002.

vertical layers of management by bringing the highest leader of the company in touch with some of the execution issues facing middle and lower management. It also sent a signal to other executives that they needed to be doing the same thing.

But he did not stop there. After these interviews, he decided that the employees were quite energetic, as shown by their recommendations and opinions. With this in mind, Ghosn opted to develop a program for transformation which relied on the Nissan people to make recommendations, instead of hiring outside consultants. He began to organize Cross-Functional Teams to make decisions for radical change. Part of his interest in doing this in-house was to address the motivation and horizontal communication issues that he encountered throughout the organization. He felt that if the employees could accomplish the revival by their own hands, then confidence in the company as a whole and motivation would again flourish. In a sense he was making it clear that he was also putting his own future in their hands because he had publicly stated several times that the Nissan company had the right employees to achieve profitability again in less than two years.

Before the strategic alliance occurred between Renault and Nissan, Renault had made an

agreement with Hanawa to remain sensitive to Nissan's culture at all times, and Ghosn was intent on following through on that commitment. First and foremost, when he chose expatriates to accompany him from Renault to Nissan, he screened carefully to ensure that those expatriates would have his same cultural attitudes toward respecting Nissan and the Japanese culture. And, after completing his rounds of talking with plant employees, he chose not to use his newfound understanding of the problems to impose a revival plan. Instead, Ghosn mobilized existing Nissan managers by setting up nine Cross-Functional Teams (CFTs) of approximately 10 members each in the first month. Through these CFTs, he was allowing the company to develop a new corporate culture from the best elements of Japan's national culture.

He knew that the CFTs would be a powerful tool for getting line managers to see beyond the functional or regional boundaries that defined their direct responsibilities. In Japan, the trouble was that employees working in functional or regional departments tend not to ask themselves as many hard questions as they should. Working together in CFTs helped managers to think in new ways and challenge existing practices.

Thus, Ghosn established the nine CFTs within one month of

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The CFTs also prescribed some harsh medicine in the form of plant closures and employee reductions.

his arrival at Nissan. The CFT teams had responsibility for the following areas: Business Development, Purchasing, Manufacturing and Logistics, Research and Development, Sales and Marketing, General and Administrative, Finance and Cost, Phase-out of Products and Parts, Complexity Management, and Organizational Structure.

Ghoshn had the teams review the company's operations for three months and come up with recommendations for returning Nissan to profitability and for uncovering opportunities for future growth. Even though the teams had no decision making power, they reported to Nissan's nine-member executive committee and had access to all company information. The teams consisted of around ten members who were drawn from the company's middle management.

Ten people could not cover broad issues in depth. To overcome this each CFT formed a set of sub-teams. These sub-teams also consisted of ten members and focused on particular issues faced by the broad teams. CFTs used a system reporting to two supervisors. These leaders were drawn from the executive committee and ensured that the teams were given access to all the information that they needed. To prevent a single function's perspective from dominating, team had two senior voices that would balance each other.

One of the regular members acted as a pilot who took responsibility for driving the agenda and discussion. The pilot and leaders selected the other members. The pilots usually had frontline experience as managers.

The CFTs also prescribed some harsh medicine in the form of plant closures and employee reductions. The CFTs would remain an integral part of Nissan's management structure. They continue to brief the CEO; however the team's missions have changed somewhat. They are to carefully watch the ongoing revival plan and try to find further areas for improvement.

Since the members of the teams were often mid-level managers who rarely saw beyond their own functional responsibilities, this new coordination had high impact on participants. Specifically, it allowed them to understand how the standard measures of success for their own departments were meaningless to Nissan unless they were framed in a way that connected to other departments to result in customer attraction and retention. In many cases, these mid-level managers enjoyed learning about the business from a bird's eye perspective and felt fully engaged in the change process, giving them a sense of responsibility and ownership about turning Nissan around.

As Ghosn explained in a speech in May 2002, “The trouble is that people working in functional or regional teams tend not to ask themselves as many hard questions as they should. By contrast, working together in cross-functional teams helps managers to think in new ways and challenge existing practices. The teams also provide a mechanism for explaining the necessity for change and for projecting difficult messages across the entire company.”⁶

Ghosn did have one great stroke of luck that helped him reinforce the need for change. At approximately the same time as he was arriving in Japan, Yamaichi, the major financial house in Japan, went bankrupt and was not bailed out by the Japanese government. Before that, Japanese employees, including Nissan’s, did not worry about corporate problems because the government was always saving the day. This recent turn of events helped to develop a sense of urgency among Nissan employees. Ghosn, to his credit, used the Yamaichi example whenever he could to continue to motivate his employees, repeating that their fate would be no different if they did not put all of their effort into figuring out, and then executing, the best way to turn Nissan around.

⁶ Ghosn, Carlos, “Saving the Business without Losing the Company,” *Harvard Business Review*, Vol. 80, No. 1, January 2002.

REFORMS IN FULL SWING

Within the first six months, the fruit of the CFTs and the increased sense of urgency were apparent. Management (especially Ghosn) was increasingly perceived as transparent among all levels of employees, which Ghosn attributed to his respect for protecting Nissan’s identity. In addition, decisions were being made faster; and there was increased communication and understanding about what was important to management. There was, however, very little implementation yet, only planning. Having received from the CFTs the recommendations, which included plant closures and reduced head count, Ghosn created and communicated what he called the Nissan Revival Plan (or NRP) in October of 1999. From that point forward he stressed implementation and follow-up, rather than planning and re-examining decisions. Other CFTs were formed, but the bulk of his efforts lay in ensuring high-quality execution of the decisions that were laid out in the plan.

Ghosn’s main focus areas included: (1) development of new automobiles and markets, (2) improvement of Nissan’s brand image, (3) reinvestment in research and development, and (4) cost reduction.

Reducing Redundancies

To achieve these results, the closing of five factories and the reduc-

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As one of the biggest changes of the NRP, Nissan broke away from the Japanese cultural norm of keiretsu investments.

tion of 21,000 jobs (14% of Nissan's workforce) were planned. Job cuts would occur in manufacturing, management, and the dealer net-work.⁷ Since Japanese business culture had tended to have lifelong employment as a principle, Ghosn endured strong criticism from the media, including being labeled as a *gaijin*, a foreigner. In addition, Ghosn fired several managers who did not meet targets, regardless of the circumstances. Many industry analysts cited his demotion of Vice President of Sales and Marketing in Japan, Mr. Hiroshi Moriyama, as unacceptable and reckless. They contended that falling revenues and dissipated market share were due to Nissan's aging product line rather than to Moriyama's performance. In addition to the media and industry analysts, the government, also expressed concern about the layoffs, but Prime Minister Keizo Obuchi responded by offering subsidies and programs to help the affected workers.⁸

Keiretsu Partnerships

As one of the biggest changes of the NRP, Nissan broke away from the Japanese cultural norm of *keiretsu* investments. However Nissan maintained customer-supplier relationships with those for-

mer *keiretsu* partners. As it turned out, Nissan regained billions in tied up capital to use for debt servicing and new product development without losing any significant pricing advantages. In fact, because Ghosn put such an emphasis on reducing purchasing costs, Nissan actually began to substantially lower its costs after the *keiretsu* investments were sold.

Reorganization

Another major component of the NRP was the restructuring of the organization toward permanent cross-functional departments, which each serviced one product line. As a result, the staffs gained better visibility of the entire business process and began to focus on total business success and customer satisfaction, as opposed to misleading performance goals that could be taken out of context. In addition, Ghosn also eliminated all advisor and coordinator positions that carried no responsibilities and put those personnel in positions with direct operational responsibility. Employees were disciplined much more strongly for inaccurate or poor data than misjudgment, thereby stimulating risk-taking behavior and personal accountability. Ghosn also made it clear, however, that engineers were not to reduce product cycle times or do anything that would negatively impact product quality or reliability. He repeated this often to drive home the point that the way to restore the power of the Nissan

⁷ "Nissan's Napoleon," *Worldlink*, 11 July 2002, <http://www.worldlink.co.uk>.

⁸ Barr, C.W. "Get Used to It: Japanese Steel Themselves for Downsizing. Mitsubishi and Nippon Telephone Have Added 30,000 Layoffs to Nissan's 21,000 Announced Oct. 19," *Christian Science Monitor*, Nov. 12, 1999.

brand was through each individual customer's experience.

For higher-level staff, Ghosn created a matrix organization to improve transparency and communication. Within this matrix, he assigned each staff member two responsibilities: functional (e.g., marketing, engineering) and regional (e.g., domestic, North America). The result was that each staff member would have two bosses, thereby building awareness of both functional and regional issues. Ghosn also put an emphasis on cross-functional department members having very clear lines of responsibility and high standards of accountability. Every report, both oral and written, was to be 100% accurate. Ghosn is quoted as saying, "Right from the beginning, I made it clear that every number had to be thoroughly checked. I did not accept any report that was less than totally clear and verifiable, and I expected people to personally commit to every observation or claim they made."⁹

Performance Evaluations and Employee Advancement

Ghosn also put focus on performance by introducing a performance based incentive system. These incentives included cash incentives and stock options for achievements that could be

linked directly to successful operating profits and revenue. This was a large departure from the traditional Japanese compensation system, in which managers usually received no stock options or bonuses. Under Ghosn's compensation system, the highest achievers got the highest rewards. And promotions were no longer limited to age, length of service, or educational level. For example, a female factory worker who had only a high school diploma was promoted to be a manufacturing manager based on her strong abilities to perform the work, relating promotion and salary increase to the ability to perform challenging or demanding tasks. The promotion of some younger leaders over older, longer-serving employees caused some problems regarding lack of cooperation. But just as Ghosn saw cultural differences as growth opportunities, he thought these tests of authority were growth experiences for young managers.

Under Ghosn's compensation system, the highest achievers got the highest rewards.

THE FIRST THREE YEARS

The NRP was achieved in March 2002, one year ahead of schedule.¹⁰ One success was a 20% reduction in purchasing costs. This was a result of achieving a purchase price from *keretsu* sup-

⁹ Ghosn, Carlos. "Saving the Business without Losing the Company," *Harvard Business Review*, Vol. 80, No. 1, January 2002.

¹⁰ 2002 News, "Nissan Announced NRP Will Conclude One Year Earlier than Planned," <http://www.nissan-global.com>.

After NRP, four plants produced automobiles based on 15 platforms.

pliers that matched the prices offered by Renault's suppliers. In addition, the supplier base shrunk by 40% and the service suppliers decreased by 60%.¹¹

Prior to NRP, seven plants produced automobiles based on 24 platforms. After NRP, four plants produced automobiles based on 15 platforms.¹²

THE NEAR FUTURE—IMPLEMENTATION OF NISSAN 180

On May 9, 2002, Ghosn stated in a speech for an annual business review, "The Nissan Revival Plan is over. Two years after the start of its implementation, all the official commitments we took have been over achieved one full year ahead of schedule... Nissan is now ready to grow." He went on in the speech to set out the goals for a new plan, one he called "Nissan 180" which would focus on profitable growth. All new goals were to be accomplished by April 1, 2005. The one in "Nissan 180" represents an additional 1,000,000 car sales for Nissan worldwide; the eight, an 8% operating profitability with no changes in accounting standards; and the zero represented zero automotive debt. In addition, the plan called

for an increase of global market share from 4.7% presently to 6.1%, a further reduction of purchasing costs by 15%, and a significant increase in customer satisfaction and sales satisfaction ratings. In 2002, mid-career hires (400) outnumbered college recruits (280). Because hiring outside managers might create animosity among managers within Nissan, this practice reflects a sharp change in hiring decisions. "We're moving to a system where it doesn't matter if you've been in the company ten years or 40 years. . . . If you contribute, there will be opportunity and reward," said Kuniyuki Watanabe, Nissan's Senior Vice President for Human Resources.¹³

Not only was Ghosn aggressively launching the Nissan 180 program to transition out of the Nissan Revival Plan program, but he was also pushing a new, customer-focused initiative called "Quality 3-3-3." He said that this program focuses on three categories of quality: product attractiveness, product initial quality and reliability, and sales & service quality.

CHALLENGES FOR GHOSN AND NISSAN

As Ghosn contemplates the future, he knows that the trans-

¹¹ Nissan 180, "Fiscal Year 01 Business Review," <http://www.nissan-global.com>.

¹² Nissan 180, "Fiscal Year 01 Business Review," <http://www.nissan-global.com>.

¹³ Raskin, Andy. "Voulez-Vous Completely Overhaul This Big, Slow Company and Start Making Some Cars People Actually Want *Avec Moi?*" Business 2.0, January 2002.

formation has really just begun. How could the momentum and the energy that his employees exhibited be maintained now that they had all reached the goals that were seemingly Herculean just over two years ago. Would there be a letdown of effort and results by Nissan employees, or would Ghosn be able to mobilize them to get to the next level of profitable growth and reestablishment of brand power and market share?

He was aware that current succession plans called for him to return to Renault as its new CEO, replacing Louis Schweitzer

in 2005. Before this could happen, Ghosn would be challenged to find an adequate replacement who could take Nissan to new heights of accomplishment as planned. Could the new approaches that had been so successful become part of the Nissan culture without his continued guidance? Would the success of the NRP spoil the sense of urgency that helped reinforce the need for change allowing Nissan to slip back into old habits? How could he find someone to carry forward the need to create a sustainable pattern of customer focus and profitable growth? 🌐

Appendix 1. Summary of Results of NRP

The turnaround at Nissan was phenomenal, with the following statistics:

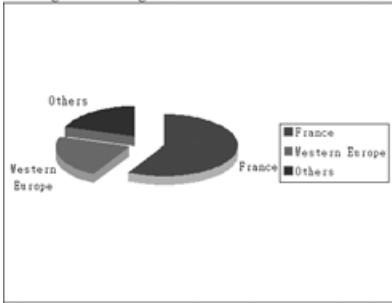
- From seven out of eight years of operating losses to profitability within the first 12 months. Since 1999, Nissan has shown four consecutive semi-annual operating profits, and the year 2001 was marked by the best-ever, full-year earnings at Nissan. The current operating margin is 7.9%, over 3% greater than committed to in the NRP.
 - Net automotive debt is the lowest it has been in 24 years (down from \$10.5 billion to \$4.35 billion).
 - The company developed eight new car models to be launched by late 2002/early 2003, including the award-winning, revamped Altima, and the new 350Z.
 - Supplier costs were reduced by 20%, as per the NRP, mainly through sourcing and other strategies to minimize exchange rate issues, as well as the reduction of the number of parts suppliers by 40% and the number of service providers by 60%.
 - Five plants have been closed, according to the NRP.
 - Headcount was reduced by 21,000, according to the NRP, mainly through natural turnover, retirements, pre-retirement programs, and by selling off non-core businesses to other companies.
 - The number of car models that were profitable increased to 18 of 36 models from 4 of 43 models.
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Appendix 2. Nissan and Renault Profile

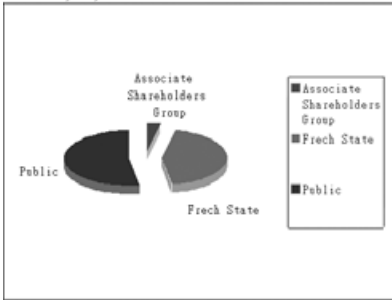
The Renault Group - 2000

Revenues:
EUR 40.2 billion

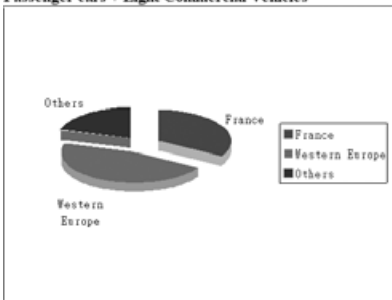
Global Production : 2,427,178 units
Passenger cars + Light Commercial Vehicles



Shareholders' equity at December 31, 2000:
EUR 913,632,540.27



Global Sales : 2,356,778 units
Passenger cars + Light Commercial Vehicles

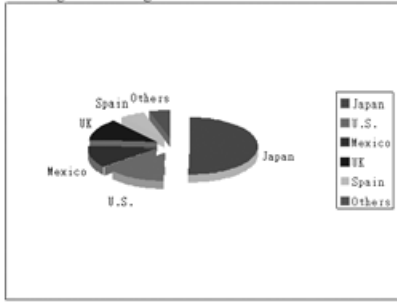


The Nissan Group - 2000

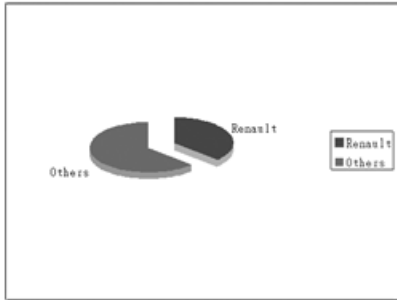
(April 2000 - March 2001)

Revenues:
JPY 6,090 billion / US\$ 49.1 billion /EUR 55.9 billion
(Exchange rate at 2001/03/30 :
\$1 = JPY 124 ; 1 EUR = JPY 109)

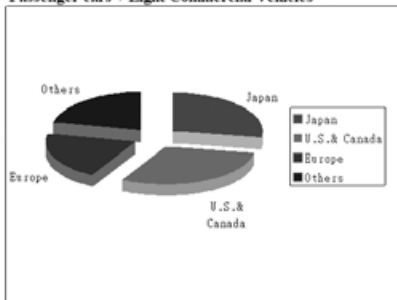
Global Production : 2,613,948 units
Passenger cars + Light Commercial Vehicles



Shareholders' equity at March 30, 2001:
JPY 957,939 million



Global Sales : 2,632,010 units
Passenger cars + Light Commercial Vehicles



Appendix 3. Carlos Ghosn's Background*

- 1954 Born in Brazil, March 9
- 1974 Receives chemical Engineering degree from École Polytechnique, Paris
- 1978 Graduates from École des Mines de Paris. Joins Michelin
- 1981 Becomes plant manager at Le Puy plant, France
- 1984 Becomes head of R&D
- 1985 Becomes COO of South American operations. Turns company around
- 1989 President and COO of North American operations
- 1990 Named CEO of North American operations
- 1996 Joins Renault as Executive VP of advanced R&D, car engineering and development, power train operations, manufacturing, and purchasing. Gains nickname, "Le Cost-Killer"
- 1999 Named Nissan president and COO*

*<http://www.google.co.jp/search?q=cache:NNR0tavWLwAC:www.ai-online.com/articles/0302cover-story.asp+carlos+Ghosn,+background&hl=ja&ic=UTF-8>