

Redesigning Nissan (B): Leading Change



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Mixed Reactions

Although the radical cuts set out by Carlos Ghosn in the Nissan Revival Plan (NRP) were unprecedented in Japan, immediate reactions to the plan were mitigated. Predictably, suppliers and dealers denounced Nissan's demands as extreme. Competitors, like Toyota chairman Okuda Hiroshi, as head of the employers' federation, Nikkeiren, condemned large-scale layoffs. And the Prime Minister Obushi Keizo warned Nissan to "give full consideration to the employment problem and impact on subcontractors."ⁱ

On the other hand, the typically vociferous Ministry of International Trade and Industry (MITI) tacitly supported Nissan's move, hoping it would spawn a recovery for Japan's sagging economy.ⁱⁱ Even the powerful labor unions, frequently vocal with regard to organizational change proposed by foreigners, requested only that no employees should be laid off. The union leaders focused instead on negotiating better packages for those who would accept early retirement or transfers. According to one insider: "He painted a picture so bleak that suppliers and unions felt compelled to accept change."ⁱⁱⁱ

Within the investment community, there was widespread agreement on Ghosn's diagnosis, but differences of opinion on the prospects for a cure. Ghosn's track record highlighted his ability to close plants, reduce headcount and increase purchasing efficiencies – but this was Japan and as one Japanese analyst put it: "It is impossible for Japanese managers to carry out such a drastic restructuring program."^{iv} Moreover, there were doubts over Ghosn's ability to deliver on intangibles, such as designing products that people wanted to buy, and creating a powerful and consistent brand image.

Difficult Maneuvers

The day after unveiling the NRP, Ghosn faced about 5,000 auto-parts suppliers and 600 car dealers in two consecutive meetings at a Tokyo hotel. All of the suppliers and dealers had ties to Nissan and were afraid of losing those ties. Ghosn said nothing to reassure them. He made it clear to them and to reporters afterwards that maintaining *keiretsu* ties was "not an objective.... The question is whether suppliers will commit to 20 percent cost reductions for Nissan in a credible way."^v The suppliers were given until January to submit bids for new contracts with Nissan – but with the prospect of also gaining access to business with Renault.

To mark its fresh start, Nissan launched a new advertising campaign, which ran in the main Japanese newspapers during the Tokyo Motor Show. The double-page color ads showed brightly colored eggs, with Nissan cars hatching out, like chicks. The slogan featured the single word "Renaissance" with the letters N, I, S, S, A, N highlighted in red. The television version starred Ghosn himself. "We wanted to create an image that said, 'Let's all do this together, with Ghosn-san at the center,'" said the head of Nissan's advertising department.^{vi}

Less than two weeks after the NRP announcement, Nissan's stock had fallen 5 percent.^{vii} Within days, Ghosn promised to quit along with the executive committee if Nissan failed to post a profit for the year ending in March 2001.^{viii} In the weeks that followed he reiterated that

pledge on a number of occasions, explaining: “The big risk is that if you announce ambitious results, people will not believe you. They’ll say, ‘He said 100%, but if he gets 50% he’ll be happy.’... Well, we want 100, and we’re going to get 100. If we don’t get it next year, that’s it. We will resign...”^{ix} It underscored his commitment, but also generated plenty of headlines in the land of the samurai spirit.

Six weeks after launching the NRP, Ghosn was challenged about on-going losses in Japan. Looking at the numbers for October and November, he saw that market share was indeed sliding. He wondered how long this had been going on – a year, maybe more? “I established statistics to understand what was going on,” said Ghosn. “And then I suddenly discovered that it was a twenty-six year problem.... In 1974, Nissan represented 34% of the market share in Japan. Since [then], the market share of Nissan has been continually declining... And we hold today a little bit more than 17% market share.”^x Though dismayed that this information had not come out earlier, Ghosn used the data to reinforce his message, repeatedly sharing it with journalists who interviewed him. “[People said] you cannot criticize your own company, but... if you don’t look at reality as it is, even being harsh on yourself, you’ll never fix it.”^{xi}

At around the same time, Ghosn approved the project to build a new \$930 million assembly plant in central Mississippi intended to supply the US market which accounted for over a third of Nissan’s sales. The plant was scheduled to start production in mid-2003 with models – new pickup trucks, minivans and sport-utility vehicles – squarely targeted at the American market. Ghosn’s swift decision heralded greater responsiveness to US needs.^{xii} Though this investment decision was regarded by some senior executives as premature, Ghosn told them: “People need to know what the prize is, what are they aiming for, what are the benefits or the advantage to them of changing some established tradition. When this is clearly spelled out, people will be motivated to follow... You cannot over communicate about why we’re doing certain things or how we’re going to do it and what is the advantage we’re going to get from this.”^{xiii}

While Ghosn praised the loyalty and enthusiasm inside Nissan, he simultaneously pressed employees for top results. When two managers presented their ideas for a new information system at Nissan, Ghosn challenged them to prove that their solution could not be bettered by outside consultants. He sent them away and demanded a response to his queries within three weeks.^{xiv} Ghosn also 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.”^{xv}

On the marketing front, Ghosn left Patrick Pelata, in charge of product strategy, to drive the changes outlined in the NRP. Pelata set up a global branding group to look specifically at brand identity. The 25-strong group included all the leaders of marketing and advertising for Japan, Europe and the US, plus one person each from Nissan’s three agencies in those regions. Their objective was to tackle the “patchwork of images in Europe, the United States, and Japan.”^{xvi} Also in line with the NRP, the design team in Japan was removed from the engineering group and placed under the responsibility of Pelata. In November, at the launch of a new vehicle, Pelata was openly critical of Nissan’s product designs, declaring flatly: “There are no marketing pros at Nissan.”^{xvii} The following month, he implemented two consecutive organizational overhauls involving extensive personnel reshuffles in the product development group and design division. A group was formed in the design division to discuss and establish a shared design concept for the cars – and that group included several new designers and about 10 percent non-Japanese designers.

On the finance front, Ghosn was ably supported by Thierry Moulouguet, the deputy chief financial officer seconded from Renault. Moulouguet's first priority was to clean up the accounts, which included making sure there were no surprises left on the books. In particular, he fixed Nissan's heavily underfunded pension plan and made provisions for the three-year restructuring plan to cover plant closings and golden handshakes for workers taking early retirement. The net result, announced in late November 1999, was a record half-year loss of just over \$3 billion – and predictions of full-year losses around double that figure. Yet Moulouguet was unflustered, assuring analysts, “We are clearing the past to pave the way for the future,”^{xxviii} and emphasizing that Nissan *would* meet its goal of net profits in the year to March 2001. Moulouguet then turned his attention to selling off the company's interests in dozens of associated companies and banks, as well as putting the accounts in line with the demanding International Accounting Standard.

Though expected to disband after rendering their verdicts, Ghosn insisted on keeping the CFTs as an integral part of the management structure to serve as watchdogs for the implementation of the plan and to look for new ways to improve performance – indeed, a tenth team was added to cover investment costs and efficiency.^{xix} The CFT pilots continued to meet with Ghosn at least monthly, serving as relays to the rest of the workforce but also keeping him informed of progress. Two months after the NRP announcement, Ghosn commented: “There is a group in the company who still think this will blow over, though their number grows smaller by the day.”^{xx} In fact, internal resistance was further reduced by an agreement, reached in late December 1999, under which employees with home loans and dependents would be paid up to 3 million yen (about half the average annual wage for union workers). “Management has accepted almost 100 percent of our demands,”^{xxi} said the president of the All Nissan Motor Workers' Union.

For all the signs that top management was finally getting to grips with Nissan's problems, market confidence in the company remained shaky. An initial wave of euphoria had greeted the NRP and pushed the stock past the ¥700 mark. But by the end of 1999, Nissan's share price had slumped by more than 40% to ¥402, as the market signaled “doubts over the practicality of the plan.”^{xxii} Those doubts were further fueled by continuing resistance from parts suppliers. At a conference in December, some were openly hostile: “Nissan officials are shirking their responsibility for not having been able to make cars that sell. Instead, they are blaming us suppliers,” said one supplier. Relations with suppliers were further strained when Ghosn, not realizing the ritual significance of a Year End party hosted by suppliers, missed the event to be with his family in Brazil. It was considered a sign of bad faith, especially “when he's asking us for so many efforts.”^{xxiii}

2000: Making Headway

During the 1990s, Nissan managers received bonuses based on production levels rather than profits – which meant there was little incentive to minimize overproduction. Ghosn insisted that bonus structures be explicitly linked to the operating profit of the company or the subsidiary, with up to 35 percent of salary to be performance related. At internal meetings with managers, Ghosn emphasized that without demonstrated contribution to cost cuts, no one in purchasing, administration or engineering would receive a pay increase.^{xxiv} He also established and personally headed a team called the Nomination Advisory Committee to

review promotion recommendations. No promotions were to be made at Nissan without a prior performance review by this board. Ghosn mandated that within one year of his arrival all promotions were to be awarded based upon performance rather than seniority – and the power and prestige of many senior managers began to evaporate as longstanding supplier relationships were severed. These HR changes were crowned in March 2000 by the extension of the stock option plan to managers worldwide, qualifying approximately 500 employees, and overseen by Bernard Long, VP of International Human Resources.

Besides performance-oriented changes to the HR systems, Ghosn himself demanded total commitment from all departments within Nissan – and by now had earned the nickname “seven-eleven” because of his long office hours (see Appendix 1 for breakdown of a typical day). On whistlestop tours of factories, he probed managers for explanations of sluggish performance improvements or limited cost cuts. He reprimanded one tongue-tied manager whose results were insufficiently promising with, “This is your responsibility. Brainstorm. Discuss. You will be held accountable for this.”^{xxv} He was direct in his dealings with employees enthusiastically shaking hands with all those who came to his office, regardless of rank.^{xxvi} He monitored reactions to his proposed plans by having Nissan intranet messages – from affiliates, dealers and employees – posted in corporate headquarters.^{xxvii}

Internally, Ghosn’s efforts were producing divergent reactions. “There is a schism,” said Akira Kaetsu, a senior manager in human resources. “We’ve told those who are resisting the changes that they have one year to change their attitude.”^{xxviii} Some were disoriented by the changes and worried that their lifelong career and retirement plans would be upset – or else disagreed with Ghosn’s demanding work expectations. “We attend meetings late into the night, and the next morning, we are requested to come in at 6 a.m. If this goes on for days and days, it just won’t work, unless we get paid more,” complained one employee.^{xxix} Contrasting with the complaints and confusion of some of the more established executives, many of the younger executives, especially those who spoke English, saw unexpected new responsibilities and career opportunities coming their way.

According to Thierry Moulonguet, VP Finance: “With Carlos Ghosn the rules of the game are simple and clear. That was perfectly understood by the young generation of Japanese managers. He is very approachable. Anyone can send him an email, he looks at all of them. He reacts in an open and straightforward way.”^{xxx}

In late March 2000, Ghosn and Moulonguet were designated President and Chief Financial Officer respectively (to be ratified at the June board meeting). The incumbent president, Yoshikazu Hanawa, would assume the largely symbolic role of chairman, serving as a liaison with the Japanese business community. In reality, these were nominal changes since Ghosn and Moulonguet were effectively playing those roles already. More significant perhaps, was the decision to eliminate the divisional presidencies in Europe and North America – putting in place instead four management teams including representatives from the major functions who would meet once a month. Ghosn asserted that regional presidencies were conducive to crossed communication and unclear leadership. “Each time you have a regional president, you start to have problems of communication and retention of information, either from headquarters to the region or from the region to the headquarters. We don’t want that. This is a killer for the global performance of the company.”^{xxxi} According to Ghosn, “This reorganization was one of the few changes I made unilaterally.”^{xxxii}

At the same time, Ghosn took the opportunity to make several other changes, including the high profile promotion of two senior VPs, Toshiyuki Shiga and Shiro Tomii, both still in their forties. Also, with purchasing, finance, manufacturing, and R&D already under global management, Ghosn named Shozo Kurihara as chief information officer with global responsibility. Likewise, he established a global marketing team, under Jean-Jacques Le Goff, to complement the existing regional marketing organizations. One of its missions would be to provide Ghosn with better marketing intelligence as he lacked a clear picture of how Nissan's models were faring against the competition. "You laugh," Ghosn told journalists, "it's real. We had no substantial analysis, segment by segment, [of] what was going on."^{xxxiii} Ghosn also wanted qualitative data: "Is the brand stronger? More attractive? Do people like [the products]? How are they characterized? Is there grace in our design? All of these concerns impact our image, and image is crucial to our overall success."^{xxxiv}

In mid-May 2000, Nissan announced its plans to revamp the product lineup with 22 new models over the next three years – Ghosn insisted that these would be "all-new products, not derivatives", ten of them destined for the North American market.^{xxxv} Of particular significance, after less than a year in office, was the imminent introduction of a full-size truck in the US, a model that dealers had been requesting for ten years prior to Ghosn's arrival.^{xxxvi} These launches coincided with the announcement of a \$300 million investment to produce Nissan models in Brazil, the project to be headed by Katia Moco da Costa, previously with Renault. Using existing Renault infrastructure, including plants, suppliers, dealer network and back office support, the investment was a quarter of the cost needed for Nissan to go it alone.^{xxxvii} Ghosn told journalists: "The Nissan Revival Plan is on track and it is now time to grow."^{xxxviii} Later, he compared the interplay of investment and cost cutting strategies to car racing: "A Formula One pilot, he's constantly using the accelerator and the brakes. He uses them at the same time ... to go to the max. We are at the same time accelerating and braking."^{xxxix}

Barely a week after announcing the new product drive, Ghosn had to announce one of the worst full-year losses ever recorded by a non-financial company, posting a net loss of \$6.4 billion. Though massive, this figure was very much expected and there were even some bright spots as Nissan had erased outstanding pension liabilities, adopted new accounting practices and progressed on its plant closures and employee cuts. Also 11 of its 40 models were now profitable in Japan. Industry analysts were reassured by the better-than-expected operating results and Ghosn's promise that the group would return to a net profit by the following year. The results did not significantly alter the company's stock price, which had risen some 25 percent since the start of the year.

Nevertheless, for all the signs that the restructuring efforts were gathering momentum, the ensuing June shareholder meeting proved a testing affair for Ghosn. He presented both the introduction and the conclusion of the AGM in Japanese, yet his failure to bow on entering the room drew the wrath of one elderly shareholder who called him the "occupying forces" and claimed he wouldn't want to buy a car from a person so poorly versed in Japanese etiquette. Ghosn retorted evenly: "You're right. There are many Japanese habits I do not know, but that's because I have been working very hard and I don't have time outside Nissan. I will become more Japanese in the months to come."^{xl} Another shareholder accused him of turning board meetings into one-man shows. Fortunately, Hanawa stepped in on Ghosn's behalf: "Carlos talks a lot," he admitted. "But that is because he is bringing in new methods and this needs a lot of explaining."^{xli} At one stage, a journalist asked Ghosn how much time

he was spending in communication. For once, he was at a loss for an answer, estimating that there was not even one moment when he thought he was not communicating: “Even in brainstorming sessions, even when we elaborate strategy, you communicate all the time.”^{xlii}

As part of its growth plans, Nissan also had to decide where it would build the new Micra. Its UK manufacturing hub in Sunderland, recognized as one of Europe’s most productive plants, seemed the obvious destination until Ghosn raised concerns about the strength of sterling against the euro – and threatened to switch the expansion focus to one of Renault or Nissan’s plants in mainland Europe. The menace to jobs near Tony Blair’s home constituency prompted the British Prime Minister to take a close personal interest in the decision. In July he met privately with Ghosn, who eventually secured a state aid package of £40 million (\$59m) plus a commitment from the plant’s managing director that it would cut a further 30 percent from operating costs over three years.

As of September 2000, the management structure within Nissan was modified to clarify accountability for implementing the cost-cutting and growth strategies outlined. Within Japan, a scaled down force of 200 managers and executives worked out of the Tokyo headquarters. Whereas all top management had been permanently housed in Japan prior to Ghosn’s arrival, executives could now expect to spend time there on a project-by-project basis. Some of the senior management tier was dispersed to other global locations, within Europe or the United States.

At the end of the following October, Ghosn announced Nissan’s best half year results in a decade, with a consolidated net profit of over \$1.5 billion contrasting with a \$3 billion loss for the corresponding period the previous year. The workforce had been cut by 9,000 by September 2000 and purchasing costs had been cut by 10 percent – with suppliers noting that formerly risk-averse Nissan managers were suddenly more willing to consider suppliers’ ideas for cost-cutting design changes.^{xliii} “The revival plan is going further, moving faster and reaching deeper than we previously forecast,”^{xliv} said Ghosn, as the company quadrupled its earlier projections for full-year profits, made in May. Ghosn also declared: “This is only a step, but a very important step, because it will enable you to regain your confidence.”^{xlv}

Though clearly delighted with the speed of improvement, Ghosn was careful to protect the reputation of his predecessors, telling journalists: “The previous management [was] struggling with survival problems, and therefore it did not have enough time to think about long-term vision.”^{xlvi} As an outsider, he explained he was much freer to make drastic reforms: “To make radical changes in a company, it is very difficult to do it from the inside, because you have been with the company for years. [The changes] will have to come from the outsider who has some kind of credibility from the beginning. So people will listen to you... Japanese or non-Japanese, I think it is not a question of origin.”^{xlvii}

On the back of the company’s encouraging first half profits, Ghosn announced that Nissan would spend \$790 million in conjunction with Renault to develop a viable fuel-cell car. The partnership made a lot of sense given the risks involved and the lack of consensus over what type of fuel cell was most promising. A large number of the 1,000 new engineers that Nissan was set to hire would be channeled towards the five-year fuel-cell program.

Meanwhile, with the Detroit Motor Show approaching in January 2001, there was intense pressure on Shiro Nakamura’s design division. Since Nissan had a complete range of

customers, finding a distinctive design thread – what Nakamura called an “uncommon denominator” or “brand DNA” – was proving a real challenge. “We have an incredible number of projects we are doing in a very short time,” he noted. “I’ve never experienced this kind of tough schedule.”^{xlvi} Four new models were due to be unveiled at the show, but the undoubted star would be the return of the Z-car, an emotional milestone for Nissan, and a collaborative effort between American and Japanese stylists that could not have been envisaged previously. As Nakamura explained: “Before I arrived, design was under engineering. Nissan has eight design studios around the world – 600 people – and not all of them reported to the head of design. Engineers are responsible for manufacturing problems, cost, and so on, so if there’s friction between the two, that can lead to design that is not market-oriented. Now all the studios report to me. It’s much stronger.”^{xlvi}

Nakamura, a graduate of the Art Center College of Design in Pasadena, California felt that Japanese designers were more concerned with group consensus than individuality, and was determined to include more foreigners in the Japanese design teams. “I want to break through Japanese design,” explained Nakamura. “This is a very rare chance to break the Japanese culture of consensus, consensus, consensus.”^{li} Nakamura expected that ten percent of Nissan’s 600 vehicle stylists worldwide would soon be non-Japanese, adding: “A lot of times it takes an outsider to rediscover the great styling tradition you’re holding in the midst of you.”^{li}

2001: Nissan is Back!

When Ghosn first came in, he had kept the existing executives in place, yet made them “very aware” that there would be consequences if they did not meet their targets. In March 2001, there were several senior casualties including one member of the executive committee – the EVP of domestic sales and marketing was proposed as a company auditor – and 20 subsidiary presidents who were axed from the domestic dealership network. As Ghosn put it: “Accountability has to start from the top. If there is no... felt and clearly mentioned accountability at the top, it is very difficult then to push a company at all levels of the company and to make sure that everybody is committed to the subject.”^{lii}

On the other hand, there were also many promotions. Among the most notable was the promotion of Shiro Nakamura, now fronting TV ads for the newly redesigned Skyline sedan, from VP of design to SVP (with no change of duties). There was also the rapid promotion of Mamoru Yoshida, who had piloted one of the CFTs, to head the group’s Canadian operations. One of the recently promoted Japanese managers commented: “In the old system everyone could be promoted, so there was no pressure... For many employees it was a good system but for those with good skills, it was no good. If I [had] been replaced by a younger man in the past I would have been shocked. But now I don’t think I would care, because clearly the person has better skills than mine.”^{liii}

In the same week, Ghosn announced plans to resume dividend payments for the first time since 1998. He also granted a generous six percent salary increase for all employees in recognition that the change in Nissan’s fortunes had been the result of a collective effort. After a two-year freeze, the unions had put their demands to Ghosn expecting some negotiation but instead received immediate approval. The decision was so fast and unexpected that it drew widespread attention from the national press.^{liv} Indeed, Ghosn hit the headlines

again the following month when he hired Shuri Fukunaga as general manager of Nissan's communications department, making her the first woman to head a section at Nissan.^{lv} The move was particularly significant since she had previously been the public relations chief at J P Morgan Securities, and Japanese career women tended to switch from domestic to foreign-owned companies, rather than the other way around.^{lvi}

In May 2001, when announcing Nissan's full year results at a news conference in Tokyo, Ghosn raised his voice and declared, "Nissan is back!"^{lvii} Sales were up 1.9% to nearly \$50 billion; cash generated by the disposal of non-core assets and the sale of securities and real estate had shrunk debt by nearly half (to \$7.7 billion), which also contributed to profit by reducing interest repayments; purchasing costs had been cut by 11%; and the closure of three assembly plants had pushed up the domestic capacity utilization rate to 74%. As a result, operating margin had more than tripled from 1.4% to 4.75% exceeding the stated goal of the NRP a year ahead of schedule.^{lviii} (See Appendix 2 for progress against NRP targets).

Building on this financial recovery, Ghosn touched on Nissan plans to introduce 22 new models in the following three years and to boost global sales by one million units over the same period. He cautioned, however, that Nissan's turnaround remained fragile, and warned against complacency. "Fiscal year 2000 is only the first step in the right direction," he said. "We have moved from the emergency room to the recovery room."^{lix}

Six weeks later, in July 2001, Ghosn revealed that he was setting new targets to roll on from the NRP. Provisionally dubbed the "Post NRP Guide", the new targets included selling one million additional vehicles worldwide in 2005 and moving Nissan into a "zero debt environment".^{lx} The biennial Tokyo Motor Show in October 2001 provided a fitting platform for Ghosn to underline Nissan's achievements and growth intentions. In the same setting, and almost two years to the day since Ghosn first announced the NRP, Nissan was demonstrating its re-emergence as an automotive leader with 13 new products in the line-up for 2002. While other manufacturers were signaling their concerns about profitability by emphasizing more conservative models, Nissan was promoting flashy new vehicles.^{lxi} The waiting list for the new flagship "Z" sportscar following its unveiling in January 2001 suggested public enthusiasm to come for the new Nissan image.

Also, with eight concept vehicles showcasing its innovation potential, Nissan took the opportunity at the Tokyo Motor Show to unveil its new global identity campaign – the fruit of a joint venture between its three former advertising agencies to service Nissan's account worldwide. The campaign would center around the theme "shift", intended not just to signify changes in the company and its cars, but also in its role as an innovator: "This is a bridge between the change in the company and the change in the products and, later, the change in attitude," explained Patrick Pelata, the VP who led the brand identity team.^{lxii} In Japan, the tag line was "Shift the future". Although the campaign had been ready for some time, Nissan held off unveiling it until the Tokyo Motor Show: "We don't feel we can say we've changed until we have changed," explained Pelata. "That is why we didn't do this campaign earlier. If we had said in 1999 what we are going to say in 2002, no one would have believed us."^{lxiii}

Shortly after the Tokyo Motor Show, Ghosn announced record half-year figures for the third period in a row, up 39% to \$3 million. Eighteen of its 38 models were now profitable and the operating margin had now reached 6.2%. Just past the mid-point of the three-year NRP, Nissan had met or exceeded its self-imposed targets. For example, as of September 2001,

procurement costs were down by 18%. Similarly, the global headcount had been reduced from 148,000 to 128,100 employees. According to Hisayoshi Kojima, the EVP in charge of plant closures, “Everything has proceeded more smoothly than I expected. So the question now is not why we closed so many plants but why we didn’t do it earlier.”^{lxiv}

With all the NRP targets easily within reach, Ghosn evoked his chief concern for continued progress: “My biggest worry is complacency inside Nissan. And it comes very quickly. I’m not talking about people who are consciously complacent. I’m talking about people who are unconsciously complacent. But we are still in the mindset of an underdog and I would look to maintain that as long as I can.”^{lxv} Ghosn was adamant: “No system can replace people. A system makes sure there is discipline, productivity. But if people change their perception of the situation, no system can change your company.”^{lxvi}

Meanwhile, there were clear signs of a shift in the balance of power between Nissan and Renault. When Renault first bought into Nissan it was regarded as a bail out deal. The clause holding out the possibility of a reciprocal purchase by Nissan was regarded by observers as a face saving mechanism.^{lxvii} Nissan’s unexpectedly sharp recovery coincided with Renault’s unexpected decline. With Nissan’s market capitalization now about twice that of Renault’s and its profits about three times bigger, it made sense for Nissan to return the favor. In October 2001, the firms agreed to extend their alliance, leading Nissan to take a 15 percent stake in its French partner, while Renault lifted its share in Nissan to 44.4 percent. The move highlighted Nissan’s confidence in its turnaround.

In November 2001, Ghosn reiterated the elements of the post NRP effort, suggesting that Nissan’s global goals would be three-fold: “First, to eliminate our debt entirely; second, to increase our total volume by more than 40 percent; and, finally, raise our profit margin to achieve top-tier status in the industry.”^{lxviii} The following month, these objectives were given the formal title “Plan 180”, this being shorthand for “1” million more units sold by 2005, “8” percent operating margin, and “zero” debt. Ghosn also planned to announce a new three-year supplier cost reduction target of 15 percent, on top of the existing 20 percent goal that ran through to March 2003.^{lxix} He was setting the platform for phase two of a process designed to make Nissan a benchmark for the industry. As Ghosn saw it: “Top management must prepare the company to compete in the most adverse situation. The difficulty of that is people inside the company may not fully understand working to an artificial reference. If we lower our guard it will be the beginning of the end.”^{lxx}

As 2001 drew to a close, Ghosn himself continued to receive plaudits on a wide range of fronts. *Time Magazine* voted him top CEO in the world ahead of Bill Gates, while *Automotive News* voted him Industry Leader of the Year for the second time in a row. Having salvaged Nissan, Ghosn had become a national hero. He was invited to discuss reform with Prime Minister Junichiro Koizumi; his life story was the subject of a new comic book series while his own book about Nissan’s turnaround had quickly sold out; and he was even voted Father of the Year in Japan for his role as a strong father to Nissan (see Appendix 3 for comic book excerpt).

The company too was winning new admirers. In particular, the completely redesigned Altima, released in April 2001, was being widely tipped by industry observers to win the influential North American Car of the Year award (which it did).^{lxxi} This was significant insofar as it was the first of Nissan’s North American launches created under Ghosn’s watch and bearing the

imprint of the NRP – and it was competing in the high-volume family sedan market. There were also early indications that Nissan was poaching significant numbers of buyers from other brands and shedding its discount image in Japan.^{lxxii} Further confirmation of Nissan's new found standing could be seen in its stock price, which bounced back from a low of ¥409 at the official start of the NRP in April 2000 up to ¥695 at the end of December 2001. That surge, in excess of 70 percent, was all the more striking against the backdrop of the Nikkei stock average which plunged 45 percent over the same period. (See Appendix 4 for evolving stock price against index).

At the start of February 2002, Nissan confirmed that it would meet all of the NRP targets one year ahead of schedule.^{lxxiii} Commenting on that achievement, Jed Connelly, Nissan North America's senior VP of sales and marketing commented: "One thing that Ghosn brought to the party was a clear focus on our priorities and a clear plan by which to execute those priorities. He has not wavered from day one."^{lxxiv} Another executive VP and board member, Norio Matsumura, saw Ghosn's key contribution elsewhere: "His greatest performance is that he was able to restructure people's mindsets."^{lxxv} One shareholder drew attention to Ghosn's outsider status: "Japanese managers couldn't have done what he has done. They'd have felt too many obligations. They wouldn't have been able to take bold measures."^{lxxvi} And Isuru Nakamura commented: "He is not Japanese, clearly. But he is not Brazilian or French either. He is a leader. If his personality reflected a strong nationality, he might not have been very successful."^{lxxvii}

The question, with the crisis now over, was whether the employees would maintain the same sense of purpose. Ghosn remained vigilant: "What I'm focused on now is mainly making sure that full execution of the Nissan Revival Plan continues to take place. At the same time as we're planning 180 [Nissan's second phase growth strategy] I don't want people to be serious about Plan 180 and reduce the intensity in executing the NRP. It requires doing both at the same time."^{lxxviii}

The Road Ahead: 2002 and Beyond

While Nissan seemed in the process of staging a remarkable recovery under Ghosn's leadership, not everyone foresaw unhindered progress.

Some questioned the real extent of the turnaround. One informed observer suggested that the plan amounted to "little more than kitchen-sink accounting."^{lxxix} His view was that the combination of massive provisions against one year's figures, plus selling off non-core assets was bound to move results in the right direction: "Add in favourable currency benefits on Nissan's US sales and strong demand for new models – all developed before Renault's share acquisition – and the basis of the turnaround is clear."^{lxxx}

Other observers implied that much of Ghosn's talent lay in presentation: "These things are often the packaging and final touches," claimed the head of automotive research at a leading investment bank. "The difference between an ordinary and brilliant restructuring is often the packaging and – as a communicator – Mr Ghosn is without peer."^{lxxxi}

Others still were skeptical about Nissan's capacity to make the transition from bottom-line improvements to top-line growth. According to one Tokyo based analyst: "Nissan can't rely on restructuring forever."^{lxxxii} The Micra (known as the March outside Europe) would be the first Nissan car to share a platform with Renault. As such, its performance and sales would constitute something of a referendum on Ghosn's reforms. As one journalist put it: "There's no question that he can't afford to fail with this model."^{lxxxiii}

Ghosn himself was confident. When one eminent journalist suggested that Nissan was about to embark on the toughest part of the turnaround, Ghosn disagreed: "What you had in 2000 was a lot of things that are restructuring. That is not very motivating. What happens next is not easier or more difficult: it is totally different. It is much more motivating."^{lxxxiv} Ghosn later explained: "When the indicators start to show that you are making a lot of improvements, it encourages more and more people to jump in and help the rest of the team achieve more. It's a kind of nurture circle where performance feeds motivation, and motivation feeds performance."^{lxxxv}

Nevertheless, doubts about the sustainability of the turnaround also hinged on Ghosn's own future. Ghosn's achievements at Nissan had set the car industry alight with speculation that he would soon be headhunted to solve the problems of one of the "big three" carmakers. And some observers were mindful of the way Renault's revitalization efforts had run out of steam when Ghosn had left for Nissan.

Appendix 1*“Seven-Eleven”: A Day in the Life of Carlos Ghosn*

- 6h00: Get up and have breakfast with family.
- 7h40: Arrive at office in central Tokyo.
- 8h00: Series of phone calls to US, while the working hours coincide.
- 8h30: Interview with a magazine journalist.
- 9h30-11h30: Internal meetings.
- 12h00: Lunch in management canteen with members of the executive committee.
- 13h00-15h30: Two more meetings with colleagues.
- 15h30: Calls to Europe where the work day is just starting.
- 16h00: Meeting with the unions
- 18h15: Meeting with visitors.
- 21h00: Leave the office
- 21h30: Ghosn dines with his spouse. Children are already in bed.

Source: Hauter, F. (2001) “Carlos Ghosn: “En situation de crise, la transparence s’impose”, *Le Figaro Entreprises*, July 2: 28-29.

Appendix 2
Getting There: Progress against NRP Commitments

Targets and milestones stated in NRP	Progress
<ul style="list-style-type: none"> ◆ Return to profit by March 2001 ◆ Achieve operating margin of 4.5% by March 2003 	<ul style="list-style-type: none"> ◆ Operating margin of 4.5% reported for the half year ending September 2000 ◆ Operating margin of 4.75% by March 2001 ◆ Operating margin of 6.2% by September 2001
<ul style="list-style-type: none"> ◆ Reduce debt by 50% from \$12.6 to \$6.3 billion by March 2003 	<p>Net debt load reduced to:</p> <ul style="list-style-type: none"> ◆ \$10.6 billion by September 2000 ◆ \$7.7 billion by March 2001 ◆ \$6.6 billion by September 2001
<ul style="list-style-type: none"> ◆ Eliminate 21,000 jobs (14% of workforce) by March 2003 (from 148,000 to 127,000) 	<ul style="list-style-type: none"> ◆ 6,500 jobs cut by March 2000 ◆ 9,000 jobs cut by September 2000 ◆ 13,800 jobs cut by March 2001 ◆ 19,900 jobs cut by September 2001
<p>Reduce purchasing costs by:</p> <ul style="list-style-type: none"> ◆ 8% by March 2001 ◆ 14.5% by March 2002 ◆ 20% by March 2003 	<p>Reduced by:</p> <ul style="list-style-type: none"> ◆ 8% by March 2000 ◆ 10% by September 2000 ◆ 11% by March 2001 ◆ 18% by September 2001

Source: NRP Progress Presentation (October 2001).

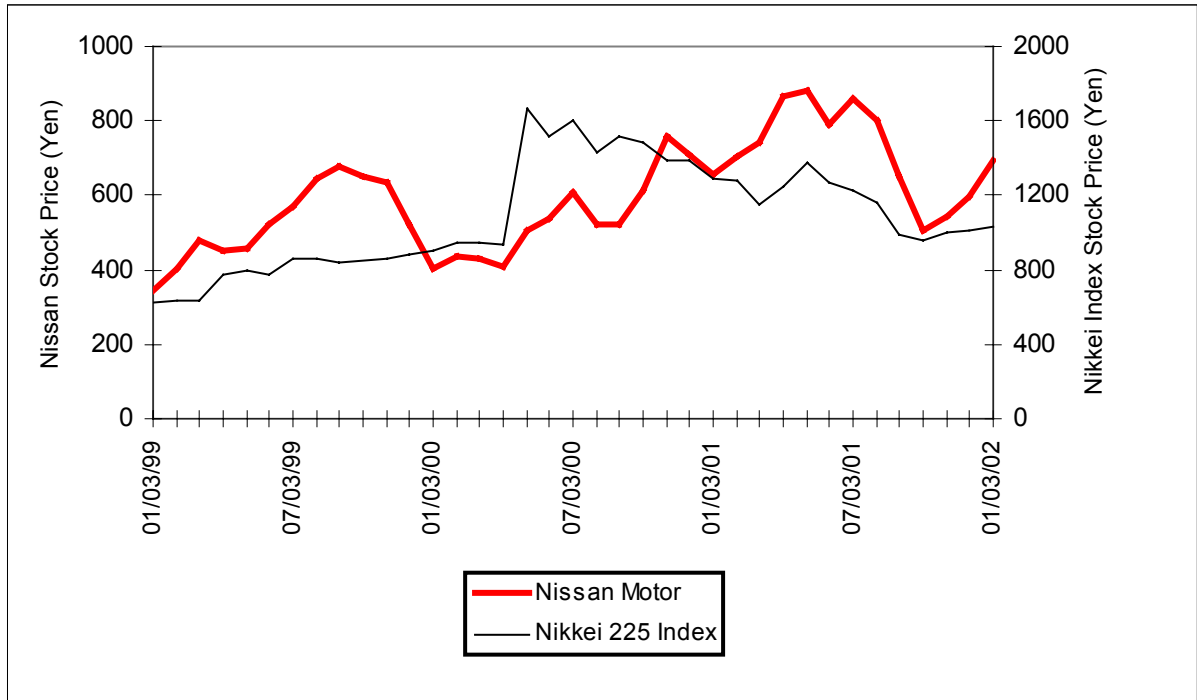
Appendix 3
From “Occupying Force” to Comic Book Hero



Ghosn, pictured above, presenting his plans for a strategic revival at Nissan in 1999. He vows that he and his executive team will resign if profitability is not achieved by March 2001.

Source: “The True Life of Carlos Ghosn”, Big Comic Superior, published by Shokgakukan.

Appendix 4
Evolution of Nissan Stock Price against Nikkei Index



Source: Datastream.

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