

Nissan: culture and earlier cg uses

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CM J41 Strategy Execution [pic] 1. 0 Resume: The case is about the turnaround of Nissan in the year 1999 to 2002. Nissan experienced great financial losses for the past seven out of eight years which resulted in a 22 billion \$ debt and an outdated product portfolio with little liquid capital for new product development. In just 12 months the new COO, Carlos Ghosn (CG), succeeded in turning Nissan into profitability with a new and more performance oriented corporate culture. 2. Evaluation of Carlos Ghosn's approach to turning Nissan around: The overall evaluation of CG is full of success which, I think, is due to his personal background, his philosophies of management and a little bit of luck. CG has a multicultural background and has proven himself having capacity for global leadership. In his career he has learned to manage large operations under adverse conditions on four different continents and speaks five languages. He has a very open and pragmatic approach towards his surroundings, with this in mind his specialty is improving cost efficiencies, and this has earned him the nickname "Le Cost-Killer".

CG philosophies of management consist of three principals. These are transparency, execution and communication which all are essential to give employees structure and direction. His leadership style is characterized by him being achievement oriented, participative, supportive and directive leader. Furthermore a unique quality and vital factor for CG success is in my opinion was his implementation of the Cross Functional Teams (CFT) and his approach to cultural conflict, which he sees as an opportunity to create rapid innovation, if paced and channelled correctly. In the above mentioned I state, that CG's approach was a success.

In the following four aspects I will try to prove this, by stressing out different arguments from the case combined with relevant theory. 2. 1 Resistance to change: People do not resist change but specific things. (Notes lec. 5) Over 50 % of all change initiatives in organizations fail to succeed and when this occurs, leaders often blame resistance. They assume that if only people would stop complaining and get on board, all would be fine (Ford et al. , 2009). But resistance is, in fact, a form of feedback, often provided by people who know more about day-to-day operations than you do.

It can therefore be turned into a vibrant conversation that gives your change effort a higher profile (Ford et al. , 2009). This could be one of the reasons to why CG set up the CFT. Dismissing the feedback deprives you of potentially valuable information, costs you goodwill, and jeopardizes important relationships. If you learn to embrace resistance, you can use it as a resource and find your way to a better solution (Ford et al. , 2009). Resistance, properly understood as feedback, can be an important resource in improving the quality and clarity of the objectives and strategies at the heart of a change proposal.

And, properly used, it can enhance the prospects for successful implementation (Ford et al. , 2009). Looking at the theory applied and the case, I believe that the resistance to change that CG faced was inevitable. As I see it one of the main reasons for resistances was due to the culture background, however there were several of underlying causes that could create a tension and resistance to change at Nissan. One is a more general conflict that arises when trying to move people, who do not find movement necessary.

Another resistance point could be the urge for protecting ones career development, which before the intervention of CG was based on promotion on seniority basis and a zero mistake culture, which resulted in general a lack of innovation, a slow decision making and risk adverse mentality. To this CG responded with a change in the career development structure at Nissan, so that the highest achievers got the highest rewards and promotion was based on performance, leading to higher performance, willingness to make mistakes and create an innovation platform.

Although these initiatives where not without resistance, because of the promotion of some younger leader over older, long serving employees which was in opposition to Japanese culture norms, CG took the same approach as with cultural differences and saw growth opportunities instead of problems for the young managers since they where challenged in their authority, which gave them growth experiences. As an overall when it comes to turning a company around as drastically as was needed for Nissan it is bound to create some resistance, and that CG new and was prepared for.

Such a big change makes the future uncertain for many employees and the uncertainty is something many naturally try to avoid, and thereby instinctively becomes resistant. This Combined with a strong Japanese traditions, an organizational culture that has hindered innovation, adaptability and accountability, and last but not least a Japanese government that historically always have bailed out troubled employees, thereby creating no reason for action, and a feeling of no urgency, only made the resistance worse.

All this being said, I am convinced that CG handed the resistance to change ideally. He didn't as Ford et al. points out hold any possible reason for failure on resistance, and thereby risking overlooking opportunities to strengthen operational outcomes. 2.2 Organizational culture: A part of the organizational culture at Nissan was the sub optimization with focus only on each individual's own department with little regard for understanding the company as a whole. This including other aspects of the organizational culture resulted in CG detecting a series of problems.

From management side, the most fundamental ones was the lack of vision and ignoring customer voices. Furthermore he identified problems with, lack of clear profit orientation, lack of sense of urgency, no shared vision, insufficient focus on customer and too much focus on competitors and lack of cross functional implementations. As a consequence of these findings CG organized nine CFTs for tackling Nissan's cultural problems, and allowing the company to develop a new corporate culture from the best elements of Japan's national culture.

Working together in the CFTs helped managers think in new ways (innovation) and challenge the existing practices (efficiency). CG explained to employees at all levels of the company that they themselves possessed solutions to Nissan's problems, giving them a sense of responsibility and ownership in turning Nissan around. It was neither top-down nor bottom-up. It was both " top-down and bottom-up. " CG could just have formulated solutions by himself and ordered them to be implemented by senior managers, but he believed in the managers and employees in Nissan, and he was good at showing them this. As mentioned in 2.0 he believed that if one

just dictated changes from above, the effort could backfire, undermining morale and productivity. The CFTs was a way to minor the resistance to change and involve and motivate middle managers who had detailed information about the company's daily business and had the potential to come up with solutions to the company's problems. Even before taking over the position as COO, he had industry analysts against him, whom anticipated a culture clash between the French leadership style and his new Japanese employees.

This could also have affected some employee attitude towards CG in a negative way beforehand. Besides this I am convinced that many parts of the Nissan organization did not feel very good about having CG changing things as drastically as he did. A labeling from the media as a gaijin, a foreigner and a reduction of 21, 000 jobs, will inevitably create an uncertainty and therefore opponents among both lower level employees as well as higher in the hierarchy.

Also the new employee advancement strategy, which challenged the traditional career advancement, created some negative emotions towards CG among the older, longer serving employees, since they were no longer automatically granted with a career advancement for long time service in the company. Furthermore, layoff of several of managers who did not meet targets regardless of circumstances and the demotion of Vice President of Sales and Marketing in Japan presumably created resistance and discontent.

But I do believe that CG was successful in enlisting most of the organizations support over a fairly short period of time, though his leadership style, where his visibility and openness to taking recommendations & opinions of Nissan

people seriously. Another reason is the respect for leadership that is inherent in most Japanese. This made his approach to leadership even more effective. Also the delegation of responsibilities to the CFTs helped getting the support of middle and lower levels, so he could focus his attention on top management. 2. 3 National culture:

The national culture has without a doubt played a large part in the outcome of CG's attempt to turn Nissan around. On one hand it hindered change because of the sense of security the government created and its rigid approach to decision making and career advancement. On the other hand the respect for leadership made it easier for him and his CFTs to have an impact on the organization. The cultural differences between CG and the Nissan organization was profound because he had never been exposed to Japanese culture before, but his approach to the culture ensured that he was fully aware of the issues that could arise.

He stated that he wanted to discover Japan by being in Japan with Japanese people. That shows his humble and respectful approach to their culture, which I think benefited him a lot and which I in the following will show some examples of. The respectful approach to the Japanese culture forced e. g. CG to pay extra attention on the empowerment of employees. As mentioned, Japanese business culture is characterized by a search for conscientiousness, corporation, group harmony, and an avoidance of mistakes. This all leads to a delay of decision making and a lack of responsibility.

The introduction of CFTs was in my opinion a strategic stroke of genius because it was partly an attempt to break with the inconveniences of Japanese culture without harassing the fundamentals and partly because

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people in the CFTs got a bird's eye perspective of the company and it gave them a sense of ownership and responsibility, which was necessary to turn things around. Cultural conflict could, in my opinion, easily be a root to resistance to change but as mentioned earlier CG uses and see cultural conflict as something positive if handled correctly, which also is in line with both Ford et al. and Dent et al. view of how resistance to change should be handled (Ford et al. , 2009) (Dent et al. , 1999). By introducing the CFTs CG also avoided the failure that many companies often do in the execution of their strategy, which is going directly to the structural reorganization. Instead he focused on some of the most powerful drivers of effectiveness - decision rights and information flows (Nielson et al, 2008). The CFTs had in their ability of being cross functional all the information they needed to take the right decisions and by encouraging the members to come forth with their ideas and take risks the effectiveness of the CFTs was even greater.

CG also changed the traditional Japanese compensation system to a more Western approach with possibility for employee advancements based on performance instead of seniority. This greatly empowered the talented employees, who was much needed in the turnaround but was also a source of conflict between young leader and older, longer-serving employees. But again CG saw a possible conflict as a positive thing. "...these tests of authority were growth experiences for young managers".

This shows again his personal ability to turn challenges into something good and productive. 2. 4 Luck and timing: There is no doubt that CG was lucky. His timing was impeccable as the bankruptcy of Yamaichi happened when he took office as COO in Nissan. The misfortune of the major financial house in

Japan helped open the eyes of the employees in Nissan. The employees realized that lifetime employment was no longer a reality and that they had to do their own part to secure the company's future and thus their own jobs.

CG, 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. By repeating the story CG paved the way for a major organizational and cultural change that otherwise would have been hard to push through. If people do not see why change is necessary, then motivation for change will be nonexistent.

Moving a huge organization simply by brute force is an impossible task, but CG's stroke of luck created a powerful momentum that diminished potential resistance to change. Without this, CG and his CFTs would probably have faced a much more daunting task if the turnaround had taken place few years earlier. But it was not all luck. CG used the bankruptcy strategic in the meaning of unfreezing the organization in Lewins words or as Cotter expresses it "creating a burning platform". By telling the story over and over again he made the organization and every employee ready for change.

When everyone was ready CG created a vision that was tangible, concise, and easy to relate to for the employees. It is not enough to create a great vision. It also has to be communicated effectively to the organization. CG was aware of this as the quote below shows " He was the first manager to actually walk around the entire company and meet every employee in person, shaking hands and introducing himself". CG was prepared to " walk the talk" himself and did so by taking the lead and thereby showing the

employees the way. 3. 0 Conclusion: All in all I think CG did an incredible job turning Nissan around in a very short period of time.

Inspired by the voting we have done in the class, I would give him a 12, the highest mark. As a non-Japanese COO he managed to overcome Japanese cultural obstacles, as well as effectively transforming a bureaucratic organizational culture and turning a large continuing deficit into a profit within 12 month. One could question though whether his successor will be able to continue what CG started or if he needs to find his own way. Either way, CG has a justifiable concern for the future of Nissan. They might be on the right path, but they are still far from reaching theirgoals.