

Organizational behavior in nissan



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Executive summary

It is essential to understand how employees behave in the organization through how they interact within the organization with other employees and towards the organization itself. Failure to understand organization behavior often leads to difficulties in management and other performance issues in an organization. This paper highlights the need to focus on organization behavior and implement the necessary changes for sustainable growth and development. The case study used is Nissan, which operated in debts and losses before Carlos Ghosn took the leadership of the organization. As an effective leader, the paper analyses how the change was effected at Nissan and further analyses the leadership attributes that Ghosn impacted at Nissan to achieve significant success.

Introduction

Organization behavior (OB) involves the study of an individual and group dynamic characteristic in an organization as well as how the organization behaves. The usual interaction between people in an organization includes many activities with people having diverse backgrounds and cultural values influencing how they perform various duties assigned to them in the organization (Griffin and Moorhead, 2011). OB, therefore, seeks to understand different individual and organization values in order to develop right competency in assessing how the employees might behave in an organization. Developing the right competency will assist the organization achieve their objectives and at the same time help the employees develop their skills at work (Vernon and Wortzel, 2007). Furthermore, a single

organization incorporates different people who are attempting to accomplish a common goal and understanding the organization behavior is one essential aspect. Consequently, organization behavior seeks to find the best way that individuals, group, processes, and organizations can be managed effectively to meet the set objectives (Alvesson, 2015). The organization behavior knowledge can, therefore, help the management understand their organization and attempt to accomplish its primary goals and objectives within the set timeline.

Organizational change in Nissan

The contemporary business environment is dynamic and challenging and for this reason organization change is one essential step an organization can take to combat the dynamics and challenges and maintain a higher competitive advantage and significant market share (Markovic, 2012).

Organization change is vital in every organization aspiring to achieve their set goals and objectives since it ensures that the business operation are undertaken to the right direction which indeed requires the management to handle the employees fairly without discrimination and at the same time involving them in various management activities in the organization (Gill, 2012). However, effecting change in an organization is not the only step towards success in an organization but rather it requires an interaction with various interactive and discontinuous factors involved in the management such as management decision making, business sector attributes and also the business environment itself. Implementing change in an organization therefore requires an intensive analysis of various aspects of an individual issue in order to avoid uncertainties and ambiguities in the organization

management process (Becker et. al, 2010). An analysis of the overall impact of change in an organization is therefore essential towards achieving success in the organization goals and objectives. It is required to put into consideration the organization structure, employees believes and behaviors, and their attitude (Deshpande, 2012).

When Carlos Ghosn went to Japan to take over the leadership of Nissan, the company had undergone a series of loss-making deals due to the management previous regime. There was a cultural significant change between Ghosn and the Japanese. According to the Japanese culture, professional progression is determined by an individual age, number of years in a given service and the education level. This is normal since promotions across various organizations are based on seniority in the organization and educational attainment. But what hampers this seniority and the education based promotions are performance errors which had led business institutions in Japan (Macshane and Von Glinow, 2009). Professionals tended to avoid mistakes at all cost to avoid compromising their career growth thereby stuck to management old concepts. Rules and conformity were replaced with the process at Nissan to (or intending to) avoiding performance errors.

The management at Nissan had adopted a decision-making mechanism meant to preserve harmony, and the employees avoided errors at all costs in order to protect their jobs. They always considered their various departments to operate efficiently, but the annual financial reports showed otherwise. These cultural norms that existed at Nissan had jeopardized the management decision making before Carlos Ghosn went to Japan to the

extent of slowing the entire decision making in the organization and hampering risk taking at levels in the organization.

In relation to the business culture in Japan, there was a significant difference between what Ghosn faced with his previous career. His global leadership capacity enabled him to implement various strategies in the organization with an aim towards ensuring change has been applied in the organization. He believed that the cultural difference that existed would help enhance innovation but only if channeled and paced in the correct way. In order to achieve success as the new leader at Nissan, there was a need for organization change (Aggestam, 2014). The first step towards the change was to accept the difference in the Japanese culture instead of imposing new culture to the Nissan staff. Other than the cultural issues, there also existed procedural norms which made communication between the organization layers difficult. Communication in an organization emerges to be an only effective way to get unified and work uniformly towards a set vision. Lack of proper communication channels in the organization lead to misunderstanding of the organization plans and the employees cannot contribute effectively to the company's success (Hiriyappa, 2009). These procedural norms also called for change towards the organization culture at Nissan in order to remain as the best automobile manufacturer and improve on their financial productivity.

Implementing change in Nissan

In a view to implementing change at Nissan, Carlos Ghosn came up with a plan. The Nissan Revival Plan (NRP) was to be used as a

blueprint towards ensuring change is achieved in the entire organization management. This was the most significant reform implemented by Ghosn and accounts for nearly all the changes made in the company. The plan aimed not only to reduce operation cost but also create sustainable growth for the organization (Komodromos, 2013). It enhanced control over the global operations such as brand management and corporate planning at Nissan thereby moving the organization from a multi-regional sector to the global sphere.

Reduction of production cost at Nissan: the closure of various plants at Nissan was perhaps the toughest decision made by Ghosn towards change implementation. The entire productivity of Nissan both domestic and overseas had a comparatively high proportion as compared to other plants. The Japanese plant, for example, was operating at 53% capacity, and the NRP targeted 82% of capacity utilization in Japan. In this case, there was a need to close down three assembly plants and another two powertrain plants in order to achieve their set goal in the organization. Other than the closer of various Nissan plants, the plan proposed to reduce car platforms which were earlier 24 models up to 15 in order to bring down the complexity of car assembly system that was used. These activities led to the other human resource management decision that resulted in over 5200 employees laid off their duties at Nissan. All these activities were meant to ensure change is achieved through cost

reduction strategy and to ensure Nissan acquire a larger market share.

Personnel Reduction: the NRP proposed personnel reduction idea as a way of ensuring change is achieved. As a result, 21, 000 employees were reduced in the organization. This reduction represented 14% of the total workforce. The analysis of this workforce reduction meant that about 4, 000 employees would be affected in manufacturing, 6, 500 in the Japanese and affiliated network, and an increase of 500 research and development employees. The cut was to be achieved through natural attrition and early retirement programs (Gill, 2012). They purposed to reduce the regular employees statistics but increase the research and development personnel which helped build a strong foundation for sustainable growth.

Reduce Purchasing Costs: change was also meant to be implemented by reducing purchasing cost by 20% within a period of three years. This was very essential since the overall purchasing cost at Nissan accounted for 60% of Nissan costs. This change was proposed to be achieved through various measures to centralize and globalize purchases in the company while also reduce the number of equipments supplied. Both material suppliers and the equipment suppliers were to be reduced by 20%. In this case, the step meant a loss for some suppliers at Nissan since they lost contract while some gained due to increased volume. Their alliance with Renault was also another boost to their purchasing volumes.

Both organizations took advantage of the situation and decided on a common purchasing standard and suppliers. Subsequently, over-engineering which was another issue that affected the organization purchasing volumes and the alliance ensured optimum cost cutting in the organizations operations. The over-engineering resulted to high purchasing cost due to an excessive number of suppliers in Nissan (Fitzsimmons, Miska, and Stahl, 2011). Other than the purchasing cost reduction, the plan also targeted to reduce other expenses related to sales and administration.

Restoration of Dealer Networks: Dealer network recovery was another significant move towards implementing change at Nissan. The plan proposed to reduce by 20% of Nissan subsidiaries and close another 10% of the total retail outlets. This was meant to reduce the prevailing territorial overlaps and intra-Nissan competition among the dealers. All the employees who were earlier sent to dealership were reinstated to operation since it was viewed as a burden to the organization growth.

Disposing of Non-core Assets: Nissan was operating on a debt which was jeopardizing the general development of the organization and gaining a larger market share across the world. For this reason, the plan proposed by Carlos Ghosn targeted to reduce the automobile debt directly linked to the financial crisis that existed. The debt decrease was to be attained through the disposal of securities, land and other non-core assets that existed at Nissan. This was part of

the Japanese business tradition and in that case, Nissan was linked with *keiretsu* networks (Aoki and Lennerfors, 2013).

The NRP announced by Ghosn led to the sale of all Nissans shareholding with an exception of four companies which were of more importance to its operation and the general success.

Future Investment: other than the cost reduction strategies suggested by Carlos Ghosn, the plan also focused on future Nissan investments. About 22 new cars were to be unveiled in the next three years after the announcement of the plan. It emphasized on improving the organization technological aspects and investing more in the research and development structure. Nissan technical center (NTC) would manage the R&D around the globe and try to re-capture the former technological clout (Majeed et al., 2010). Doing this would ensure that their brand identity was maintained across their existing and prospective consumers.

During the first year, Ghosn established a global brand identity at Nissan through his focus on the technical aspects of the organization operation. This helped and ensured change was implemented for the success of Nissan and their employees as a whole.

Clear Commitment: Making clear commitment was part of the step Ghosn took in order to ensure that there was effective management at Nissan and the general growth of the organization. As the leader, he had to set the clear blueprint that would be followed by the

management to ensure sustainable success at the organization. The NRP was meant to revive the organization and prepare the management and the employees for the future challenges that would prevail. Since change at Nissan was inevitable for a successful business operation, setting clear commitment was part of its successful implementation and the overall growth strategy(Stahl and Brannen, 2013).

Success from the organization change

After the NRP had been implemented at Nissan, the company realized a net income of 503. 7 billion and an operating income of 829. 4 billion in the FY2003 alone. Surprisingly, the organization realized a gradual increase in financial performance over the year after Ghosn took its leadership. Moreover, their operating margin increased significantly as compared to the FY1999 (table 1). The share price also rose significantly as compared when it was undergoing various financial difficulties. In other words, the NRP brought sanity and the ultimate economic recovery of the organization. The most notable part of the NRP was the change of business culture from the traditional way of doing business in Japan thanks to Carlos Ghosn.

Carlos Ghosns Leadership

Carlos Ghosns personal and previous career enabled him to be a successful leader not only at Nissan and Renault but other organization where he was involved in various management

functions. What became the turning point in his leadership is while acting as the vice president at Renault. As a visionary leader, his empathy to the new generation cars that operates on electricity was anticipated by many across the world, and he wanted Nissan to lead this innovation (MacDuffie, 2011). Because of his determination as a leader at Nissan, Carlos managed to influence his followers to share his vision. This opened more opportunities for them to grow and advance in their professions. The revival plan followed a cross-functional team strategy that shared thoughts away from the bureaucratic and structural limitations.

The NRP also incorporated a number of other ideas which were meant to be assessed and presented while showing some sense of openness and willingness to listen to other employees in the organization. One critical success factor seen in Carlos Ghosn leadership is his belief in having no perception of the individual organization or the employees culture before actually getting exposed to it as seen with Nissan. He often learned various skills in his leadership through experience. This led to a radical change at Nissan and helped restore its market position, a mission that seemed impossible for many leaders in the business world to achieve. He also believed in knowledge sharing as part of leadership skills to achieve organization goals and objectives (Comacchio, Volpato, and Camuffo, 2012). This was depicted by the introduction of new service which was meant to allow transfer of Nissans production way (NPW) which majorly relied on improvements from

other firms for the organizations success. The consultation service represented changed the organization radically from the continuous improvement theories to a consulting organization that helped others adopt them.

There exist various leadership theories that can be used to approach leadership styles, but some of them only focus on an individual behavior which cannot help determine the true attributes of a leader. In essence, these theories only values or sees one as a leader when he acts as such and possess distinct characters. This approach is more realistic than the trait theory that assumes that leadership is inborn but rather not made (Shook, 2010). Carlos Ghosn leadership styles can be categorized as laissez-faire, democratic and autocratic at the same time. His demonstration of the sound level of engagement in his team during various serious decisions at Nissan makes him a democratic leader. The cross functional teams were often involved in thinking, discussion and assessment of the different ideas to be presented to the management. This boosted their team spirit and also enhanced various decisions they engaged in.

Carlos Ghosn also focused on consideration and structure initiation dimension in his leadership. He managed to achieve an effective balance in his leadership between the two dimensions, therefore, giving the employees a platform to express their thoughts and ideas effectively while at the same time showing respect without losing their lines of responsibility which were needed to manage the multi-

cultural and multinational organization environment (Jones, 2010).

In other words, as a leader, Carlos Ghosn stood in the midst of people who were task oriented. He believed that the resolution to the problems witnessed at Nissan was found within the cross-functional teams and therefore shared with them the issues.

Subsequently, there were plans and timelines during his leadership at Nissan hence presented a high degree of task-orientation.

Contingency theories link leadership styles to various situations under which an individual undergoes. They often try to relate various factors surrounding the leader, the followers and the nature of tasks assigned to be accomplished (Leih, Linden, and Teece, 2014). However, it is evident that Carlos Ghosn had various attributes that enabled him to lead effectively at Nissan. As a Lebanese citizen, he grew up in Brazil and acquired his formal education in France. This enabled him to work in various organizations in different capacities, and all these enhanced his capacity to be the best leader in any environment regardless of the culture of the prevailing environment. He overcame the challenge of being non-Japanese and helped moved Nissan as a company to extreme levels. His prowess in management allowed him to develop to the top leadership position including research. Nissan gained its financial health and made tremendous strides in other business areas, thanks to Carlos Ghosn leadership attributes. In essence, his leadership attributes made him believe in Nissan as an organization, the people at Nissan as an asset and the Japanese culture as a

platform towards implementing change and helping realize the set goals and objectives. The primary success catalyst is the nature which he took the mission (MacKay and Chia, 2013). It was evident that Nissan and Renault depended on his leadership to get out of the management and financial crisis witnessed. He applied urgency to motivate the employees, thereby setting dates for various tasks to be accomplished and held himself as well as the individual employees accountable for the various tasks at Nissan.

According to the path-goal theory, a leader motivates the subordinates in an organization towards achieving the goals by helping them formulate a clear path to the stipulated objectives and at the same time offering them recognition (Sako and Kotosaka, 2012). When Carlos Ghosn joined Nissan, his first objective was to form cross-functional teams, but the team members were lost since they didnt understand what was expected of them and how to achieve them. Carlos as a leader realized this and invited them to explain the purpose of his strategy and also promised to offer support and help them reach the target of his plan. Even before formulating the NRP, he often met the employees at Nissan in various departments in order to understand their culture and various challenges that affected them. The cross-functional team helped engage with a large number of the company towards idea generation and reflect a participative leadership style (Burnes, 2011). As the head of Nissan and Renault, Carlos enjoyed authority which enabled him to express himself as a Transformational leader.

In order to portray excellent leadership skills, there must be weaknesses as well as strengths that help an individual learn through leadership process (Chen, 2009). Carlos Ghosn was faced with various challenges during his management process and often time consulted with his subordinates. It is essential to note that weaknesses are part of developing effective leadership skills and ensuring that the organization goals and objectives are met.

Comparison and contrast between Nissan and Renault

Employee motivation and engagement practices

Nissan strived towards creating a work environment where their employees feel motivated and undertake various challenges in the organization while working comfortably and more safely. The organization's human resource strategy was to ensure their workforce acquire full mental and physical health. They promoted work conditions that maximized on the performance of each worker and encouraged teamwork to achieve their set goals (Sims, 2002). Through the Nissan code of conduct, the employees are guided by various organization rules and the performance standards expected. In other words, Nissans operations are guided by the principle that focuses on ensuring sustainable growth and motivation to the workforce and based on their philosophy that power comes from within the employees, the employees always feel motivated, continuously working towards the organization goals and towards gaining a competitive advantage in the automotive industry. This

helped Carlos consolidate various ideas from the employees that helped move the organization to the required direction of achieving higher competitive advantage and increasing profitability.

Renault, on the other hand, aimed towards creating employee engagement by ensuring same rules on management and behavior are set and applied elsewhere in the world. Their engagement practices were consumer-focused, profit driven and was supported by the motivated employees. The management often adhered to the rules of behavior in relation to the set values of the organization transparency, openness, and diversity (Schermerhorn, 2012). Other than the specific employee training and development, Renault also improvised other mechanisms to ensure individualized, sustainable and mentoring programs for their employees and the new management practitioners alike. New employees were supported for some time under the mentorship of other experienced members in their respective fields. This helped Ghosn acquire the best employees that helped him implement change in the two organizations after the alliance.

When comparing the two companies in relation to Employee motivation and engagement practices, both companies engaged their employees and involved them in various motivation activities (Colquitt, Lepine, and Wesson, 2010). They often strived in building trust in the organization through transparent communication and also provide them with platforms to ask questions that were incorporated in the management as a way of motivating them and

ensuring the set goal is achieved. Continuous surveys were conducted to highlight on their input and suggest improvements. Their suggestions were taken seriously towards creating an appropriate work environment for the employees and a constant growth of the organizations.

Organizational culture

Organization culture is an essential factor to be considered when managing two different cultures. Nissan had a different culture as compared to Renault and there was a need for the management to respect the identities of individual companies before alliance in order to achieve a long-term success and gain a competitive advantage in the automotive industry (Chanlat, Davel, and Dupuis, 2013).

Nissan as a company had an atmosphere that it was difficult to management and this made the employees have a negative perception towards achieving the set goals of the organization (Sargeant, 2001). Nissan was managed by people with similar ideas who were not ready to embrace change. Their monoculture transformed into a disaster when various reforms were needed. This is what agitated Mr. Ghosn to move to Nissan to ensure cultural change and hence increase financial profitability.

Conclusion

Organization behavior is an important subject to the contemporary organization due to the dynamic nature of the business environment. Due to the technological and cultural issues that currently exist in various organizations, change is inevitable, and there is a crucial need to ensure that the organization operations are not compromised with the changes through assessing the culture and thereby implementing the necessary modifications and strategies. Change is vital in every organization aspiring to achieve their set goals and objectives since it ensures that the business operation is undertaken to the right direction which indeed requires the management to handle the employees and various operations through the incorporation of different aspects.

Carlos Ghosn is one prominent leader who implemented change at Nissan. Nissan as a company had undergone a series of loss-making deals due to the previous management regime and cultural influence. The Japanese culture, professional progression was determined by an individual age, some years in a given service and the education level. This could not give the organization an avenue for sustainable growth and development of the individual employees.

To implement change at Nissan, Carlos Ghosn came up with a plan. The Nissan Revival Plan (NRP) helped change the entire organization management and achieve Nissan goals and objectives. This was the most important reform implemented by Ghosn and accounts for nearly all the changes made in the company. After the

plan had been implemented at Nissan, the organization realized a gradual increase in financial performance. The Nissan revival plan brought sanity and the ultimate economic recovery of the organization. Most notable part of the NRP was the change of business culture from the traditional way of doing business in Japan thanks to Carlos Ghosn leadership skills. The cross-functional team strategy helped engage with a large number of employees in the company towards idea generation and reflect a participative leadership style. As the head of Nissan and Renault, Carlos enjoyed authority which enabled him to express himself as a Transformational leader as well.

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