

## LEADING CHANGE—CARLOS GHOSN AT RENAULT AND NISSAN

"There is no business executive in the world I would rather see at the helm of Renault. Carlos has a golden touch. First at Michelin, then at Nissan—everywhere he has been he has turned disaster into success. He is very strong, very forceful, and very positive."

"Look, I cannot deny his past successes. But really, what has he done? He has relied almost exclusively on slash-and-burn techniques to cut costs and return these companies to profitability. But how long can that last? He has not brought any new ideas to the running of business: just cut costs. He is now returning to a profitable Renault. I'm unsure of what he can do now."

"I think you both are missing the point. Ghosn's past has been impressive, no doubt about it. But why is he trying to run two companies at the same time? Does he believe too much in his own press? The way it is now, he cannot focus properly on either Nissan or Renault."

Three French executives offering contrasting reflections on Carlos Ghosn upon his return to Renault in April 2005.

Whatever qualms some executives may have felt about Carlos Ghosn (name is pronounced to rhyme with "phone"), senior management at France-based Renault harbored no such misgivings.<sup>25</sup> In April 2005, chairman Louis Schweitzer announced that Ghosn would return to Paris to assume control of Renault. Over the past five and a half years, Ghosn had engineered a remarkable turnaround at Nissan Motors, headquartered in the Ginza district of Tokyo. He had moved from Paris to Japan as part of the 1999 Renault-Nissan alliance. Ghosn's return to Paris, however, would not remove him from oversight of Nissan. He vowed to serve as a dual CEO—leading both Renault and Nissan, dividing his time evenly between the two.

Ghosn's career involved a number of remarkable leadership opportunities: Michelin Brazil, Michelin North America, Renault, Nissan, and now the Renault-Nissan alliance. But no story is more dramatic or exemplary of his approach to change management than his tenure at Nissan.

### Nissan Motor Company

As part of a 74-firm Japanese *zaibatsu*—a powerful, interconnected industrial combination that included Hitachi, Nippon Mining, and Nissan Chemical—Nissan leveraged its considerable assets into becoming Japan's number two automaker (behind Toyota).<sup>26</sup> Nissan began exporting their Datsun cars to the United States in 1958 and 17 years later became the top-selling import in the U.S. market. Their sporty Datsun 240Z, known as the Z car, gained an especially loyal following based on its reputation as "the ultimate thrill machine, an unbeatable combination of rakish lines, raw horsepower and affordability that young Japanese and American guys found impossible to resist."

A number of management missteps kicked off a debilitating and long-lasting decline starting in the 1980s. Executives changed the company's brand name in

the United States. Additionally, the company's inability to compete in the U.S. market ranged from a lack of focus on competition to a reliance on the U.S. market.

Sales of the Z car fell sharply. Sales of other models, such as the Nissan Maxima, also fell. The company's financial performance was poor. The company's stock price fell sharply. The company's reputation was damaged. The company's future was uncertain.

### Carlos Ghosn

Ghosn was born in Lebanon. He moved to Lebanon with his family. He attended the American College of Beirut and the Ecole des Mines de Paris. He worked for the tire company Michelin. They were looking for a CEO (Ghosn's first job). They offered him the job. He came to France, South America, and Japan.

### Ghosn at Renault

In October 2005, Renault announced that Ghosn would return to Paris to assume control of Renault. In October 2005, the number of Renault's dealers had already increased to three premises.

- Assume control of Renault
- Work for Renault
- Earn trust

At Renault, Ghosn's first task was to restructure the company and purchase the rights to the Renault brand.

Renault's global strategy was to focus on the company's core business and reduce the expense of a global presence.

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