

Without Employee Support, Nissan's Recovery Could Not Have Succeeded: Economy Will Flourish After Japan Decentralizes

By *Kyodo News, Economic News Section*

ON Feb. 13, 2004, President Carlos Ghosn of Nissan Motor Co., shared his candid thoughts on such topics as the fate of the Japanese economy, Nissan's revival and the domestic economy, and leadership theory at

a conference of managing economic editors from companies throughout Japan that are affiliated with Kyodo News. The following is an excerpt.

Q: There was less interest in Japan at this year's Davos forum, while China attracted heightened attention. Having participated in the forum, why do you think interest in Japan has waned?

Ghosn: In Davos this year, there was a shift which was very important for the interests of Japan and China. What was very impressive for me was the fact that the developing countries and economies are taking a very big part in Davos. Not only China but India was also very important. I was very impressed by the number of business people and official representatives from India. Pakistan also played a very significant role as President Pervez Musharraf was at Davos, and he spent a lot of time there. It seems that Davos has shifted from a forum exclusively for developed countries like the United States, European Union (EU) members and Japan to a space for the developing countries because, in Davos, developing countries can take opportunities to bring the message to the world markets, to talk with business people around the globe about their inward investment. I think this shift was particularly visible this year. This, in my opinion, is one of the biggest changes.

Japan was probably paid less attention than usual. Why? A very simple reason is that, I think, in the past Davos forums, there were a lot of discussions on the revival of Japanese economy, the future role of Japan and how to overcome the effects of the bubble economy. A lot of good ideas have been exchanged and many analyses have been made. So in a certain way, we know exactly what is going on in Japan. The only thing we want to see is the results. What are the

results? What are the new facts? What kind of changes have occurred in Japan? People are probably less interested in the analyses of Japan. They are interested in seeing results from Japan. This was the way I spoke at Davos about the Japanese economy. It seems that the Davos participants wanted to hear me talk about the significant changes, or results of the Japanese economy. They want to hear something new. What they are expecting today are the results, or the performance coming from Japan.

Q: I feel that Nissan has produced significant results indeed. From your perspective, having observed Japan since 1999, what favorable results did you witness? And in those areas where positive results did not materialize, what do you think was the reason?

Ghosn: What does the result mean? The first and the most important one is growth. This is what we call a growing economy. This is number one. And the second point is the health and value created by corporate sectors. How are the corporations in Japan doing? How many of them are successful? How many of them are creating value? How many of them are really growing? These are the main two topics that people were expecting.

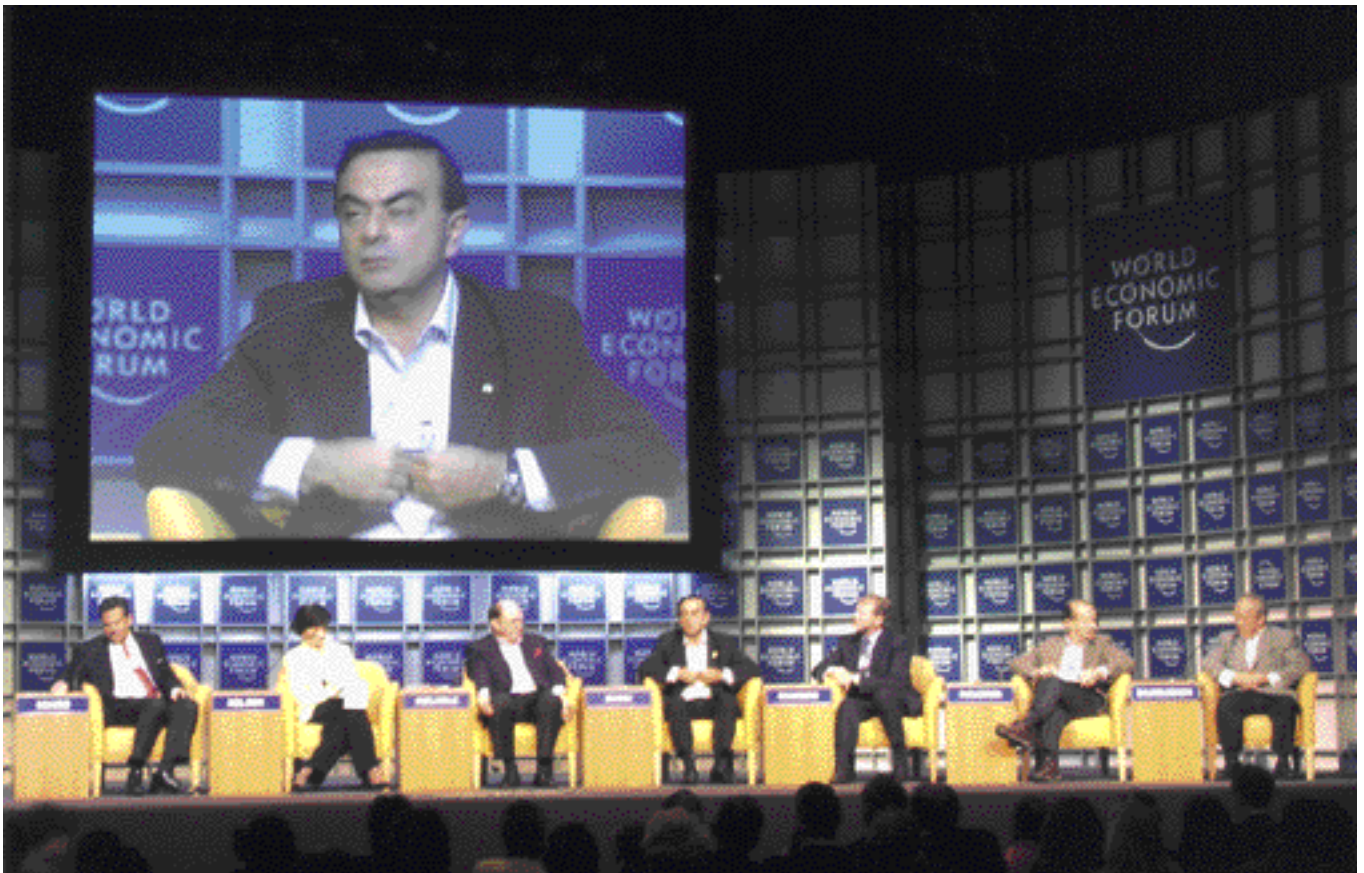
If one country can show a healthy level of growth, people would think it is OK – this is a good place to invest and this is a good place to contribute to. Particularly if there are strong companies and corporations, it is also another sign that things are going well. When I arrived in Japan in 1999, and also in 2000 and 2001, the growth rate of the Japanese economy was very small.

There have been some good signs recently, however, that the growth rate is increasing. The meanings of these things are especially important because people can anticipate something which would happen later. The worst scenario would be that, after these signs, the economy goes back to a stagnant condition. I think this would be very bad. People inside and outside Japan would lose confidence in the Japanese economy and lose motivation for investing in Japan. So the growth element is very important.

The second point is the credibility of Japanese companies. How much is Japan depending on very strong and healthy corporations? It is clear that Japan has many companies which are doing very well. Very well-managed companies have been creating a lot of value. They are also seen as powerhouses for the global economy, and big exporters are a very good presence in the Japanese market. Nobody worries about Canon. Nobody worries about Matsushita. Nobody worries about Toyota. Nobody worries about Honda. And today, nobody worries about Nissan.

There are also companies which are struggling. Usually these are companies which, in a certain way, have avoided international competition. Avoiding international competition might be beneficial over a short period of time, but in the long term, it will be painful. In a short time, they will face fewer competitors. But having fewer competitors is bad news because it will not force you to change, or it will not force you to adapt to the new rules of the game. Having fewer competitors, those companies can easily be satisfied with their own performance. When they get this complacent,

Photo: Kyodo News



Carlos Ghosn speaks at the end of the annual meeting of the Davos Forum, 2004

they would not change their commodity prices for two, three or even five years. This will downgrade the role of these companies in the market. I would say the danger for Nissan is to become complacent. This is the biggest danger.

Q: Complacency would appear to be the number one adversary. This by no means applies to all Japanese people, but generally big successes are accompanied by a sense of achievement, and people find it difficult to detach themselves from that feeling of satisfaction. I think this is the type of situation that has persisted for a long time in certain business sectors. I think I have heard you say in the past that the Japanese people have the latent power to overcome complacency, and it is a leader's duty to draw out that power. In that respect, and also in terms of your approach with Nissan, we would like you to share

with us whatever points you may have on unleashing the untapped potential of individuals.

Ghosn: It is true that I repeated what I believe in. I strongly believe in it not because it is a preconceived idea but because I have seen that the Japanese have a lot of potential to overcome their problems. I have observed this over the last four or five years. It has been very impressive for me to see that the Japanese people around me are eager to revive Nissan. In 1999, nobody expected Nissan's revival. Nobody. Nobody anticipated that today's Nissan would become a company with zero debt, the top level of operating margin, a high level of growth and one of the most progressive brands among Japanese companies. When you take a look at the change in Nissan's corporate image in the past few years, not only in Japan but even outside Japan, we have probably become one of the corporate brands

which has progressed the most in the public's perception.

Why is this? The reason is very simple. First, the main assets of Nissan belong to its people and it happens that these people are mainly Japanese. How do they make these assets benefit them? Well, it is easy to say but very difficult to do. The important thing is to "get them motivated." Let them hope for adventure, the vision, the destination and the things that they want to realize.

Frankly speaking, the change was not made by myself. I didn't do it. I was the leader of the company at that time but I would never be successful if I was not supported, helped and motivated by the attitude of thousands of people around me. They were very frustrated by Nissan's stagnation in the 1990s and they were eager to demonstrate that Nissan would be able to do much better than everybody thought. Today, this has become the reality.

What has happened for the company

can happen for the country. It is exactly the same thing. So coming back to your question, how do you get it to work? Get the motivation in. Get people motivated. Let the people have the visions and destinations that they like, that they wanted to realize, for their country, for their city or for their region. And then they know what I should do tomorrow to make it reality. That is important.

The leader's responsibility is to deliver results. Deliver results as soon as possible, and show people the consequences of their efforts. Showing them what they have been doing, or what they are sacrificing, is worthwhile because they are expecting the changes they would like to see.

Q: How do you rate Prime Minister Koizumi Junichiro's leadership?

Ghosn: You are asking me a very tough question. I think political leadership is probably much more complicated and difficult than business leadership. Business leaders have very clear criteria by which you can judge them. You can judge them by the development of their companies, share prices, the amount of profits they have made, the improved quality of their products and services, how much people are happy to be part of the company, and how much people are proud to be part of the company.

I have met Prime Minister Koizumi a few times. He is very open-minded. I have never had the impression that he is a self-centered man. He is looking for the best solution for the country. I was impressed by his open-mindedness for the necessity to try to make changes. He tries to make changes in a way that are not destructive for the country. I think he is right. This is my opinion.

We tend to judge our leaders mainly on the results they deliver. This is the way we make our judgments. Some of us may judge our leaders on the results that they are interested in. I think the most expected result in today's Japan is the growth of its economy. This is probably the key indicator for measur-

ing our leaders' credibility. In my opinion, economic revival will be critically important for the Prime Minister.

Q: I believe Nissan's recovery kicked off with factory closures, or corporate restructuring. The company's recovery then shifted into the offensive mode, and I think that the areas surrounding the factories sustained economic damage as a result. How do you view the relationship between the local economy and corporate activity?

Ghosn: In the case of Nissan, like many other companies, if we find out that our company is in crisis, it is very important that we take action. When I analyzed the situation of Nissan in 1999, I recognized that we had to take some tough decisions. We had to rebuild our ship. We probably had to close some plants because of their overcapacity. We struggled to improve the situation for many years. If we did not act on this, we would have created much bigger problems for Nissan. Not only a few plants, but our whole company with a huge number of employees was in danger. When I accepted the job of Nissan president, I had only one commitment to Nissan employees, Nissan shareholders and the Japanese public – I would revive Nissan. I did not compromise on anything until I was able to stand in front of you as the Nissan president and declare that Nissan has been completely revived. That is what people were expecting from me. And this is something that was clear from the beginning when I met the Nissan union. They told me that I could do whatever I had to do, but they wanted results. When I met suppliers, they told me I could do whatever I had to do, but they needed results. Just results. That was what the people expected from the president.

I understand that some people may not accept the leadership position for a lot of reasons. And the reason for which people accepted me as a leader is that I promised to revive Nissan. If we wanted to survive, we had to accept a lot of

tough decisions at the beginning of the process. I knew it might be hard for the people and the community, but I always kept the objective of reviving the company in my mind.

Is it true to say that after we finished the restructuring process of our company, then we will proceed to the offensive? No. From the beginning, we have to deal with restructuring and prepare for the offensive. You see new products today on the streets – the Fairlady Z, Cube, March, Skyline and Elgrand. All of these products were the cars of the year in the United States and Canada. All of them were put in the pipeline in 1999, 2000 and 2001, at the time when we were reorganizing our company. We are always investing for the future. We shut down several plants in Japan, but at the same time, invested in Nissan for our future. We have to do them together.

Are we going to develop our plants in Japan in the future? Yes. We will develop our plants in accordance with our growth. We are not going to move our factories from Japan to somewhere else, including China. We said we are going to enter the Chinese market. We want to supply our products which are manufactured in China to the Chinese market. But we have no Chinese plant for exporting cars from China to other countries. Our main export base is, and will remain in Japan, because we think Japanese plants still have potential. Even though we have to pay a much higher salary in Japan than in other countries, particularly China, Japan is still a very good export base, because of its efficiency, productivity and the quality of its workforce.

But we should not be satisfied. We have to make sure that we keep on working to improve our productivity. We have to continue our company's restructuring in order to make our Japanese factories competitive not only with the United States or European countries, but also with newcomers such as China, India and Southeast Asian countries.

I think it is a good idea to give more responsibility to regional governments

and regional representatives. They are elected by the people of their region. They have to take more initiatives. Whenever regional leaders take their initiatives, they are always successful. And this is very attractive for business people because they know the region very well. They know the strength of their region very well and they know what we need very well. They can do a great deal for attracting businesses into their community, and will try to make sure that the businesses will be successful.

From the management point of view, I am deeply convinced that by empowering the region, the country would benefit from it. It is like a company – by empowering the people at all levels, we will complete our job faster, better and with more focus. If people are responsible for the regions, for the functions or for departments, that means they are nearer to the consumers and they can develop their businesses much more quickly.

Q: Given your experiences in Japan, can you tell us if there are any Japanese business customs that you still find hard to accept?

Ghosn: The first example is that if we put young persons in high positions in a department, it will still cause resistance within the company. It puzzles me because we are always saying that businesses have to create value, and businesses are about performance. We have to leave more and more responsibilities to the people who are strong providers of, and contributors to performance. Age is not important at all, although I have to take experience into consideration.

Another thing which puzzles me is related to the gender issue. Japan has to use female skills more frequently, but there is still a lot of resistance. This is terrible. At Nissan, we are always thinking how we can attract more female buyers, and how we can make the company more friendly to women. It is very important for the company to be regarded as excellent by women. But we

are still not so. If we take a look at our surveys, Nissan's image is very strongly oriented toward males, but is just average toward females. Why? Because we have not made enough efforts. We must make our company more attractive for women, without losing its attractiveness for men.

There is another example which puzzles me, or even amazes me. Amazes me in a positive sense. That is the people's loyalty to the corporation. They are extremely hard workers, and they think this is good for the company. They are self-sacrificing for the company. This is something that you would not find in other countries. This is an extremely strong point of the Japanese.

Q: I would like to pose a question regarding your views on reporting by the Japanese mass media. Japanese economic journalism often refers to the post-bubble era of the 1990s as the "lost decade." From your position and your involvement in manufacturing, what is your understanding of the "lost decade"?

The other point is the traffic accident you were involved in the other day.* In general, Japan's mass media would not report such an accident. But I think the mere fact that you were driving a Porsche at the time made the story newsworthy. How did you feel about the mass media making an issue of this?

Ghosn: I know the article which said "Carlos Ghosn drove a Porsche." I do not know why the fact that I was driving a competitors' car drew attention. Some people said I should not drive a competitors' car; I should drive a Nissan car. Does this mean I did not trust our car? This is rubbish. I have been saying from the beginning that Nissan has to open up in order to revive itself. Nissan has to accept competition. Nissan has to fight. We have to know our competitors. We have to know the customer's needs. We have to open up our compa-

ny. This is why I drove a Porsche. Some articles were critical about this fact, others were positive, but it is normal for the president of a major car company from time to time to test the competitors' cars. I was really surprised to see how widely the story was publicized. I concluded that everybody looks at Nissan in Japan. What I have learnt from this incident is that we have to be extremely transparent, and extremely precise about everything we do.

I think the Japanese media, especially the economic media, is very factual. I am very impressed by that because I lived in countries where the media prefers to deal with more romantic stories. I have never complained about the people distorting facts or giving a different interpretation. Most of the mass media in Japan is very serious, very professional and very factual. I am very happy with it. I recognized that a lot of people are curious about Nissan, so we have to be more careful about what we do.

Now, let's move to the topic of the "lost decade." I think up to the 1990s, there was a competition between the Japanese economy and the U.S. economy. In the 1990s, we saw two different consequences. The U.S. economy continued to grow substantially in the decade, while the growth of the Japanese economy was more stagnant. In my understanding, the lost decade means that Japan was not able to continue to grow at the same level as the largest economy in the world. It is considered as "lost" because of the results which were a little bit disappointing regardless of Japan's potential. Nobody doubts the fact that Japan has a potential, a big potential for economic growth. Moreover, Japan did not take effective measures to revive its economy during that decade, although they could have done that. This is my interpretation of the "lost decade." **JS**

* Note: On Feb. 8, Mr Ghosn was involved in a small accident with a motorcycle while he was driving a Porsche. The two people on the motorcycle were slightly injured.