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Nissan's Carlos Gosn: Total Quality Management Enabler

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Edgardo Donovan
Touro University International
OPM 500
Dr. Gregory Duane Herbert
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“Carlos Ghosn is flat out the hottest automotive talent on the planet right now, and he enjoys the kind of street cred that execs from Detroit to Stuttgart can only dream about. In Japan, a full 5 years after arriving from France's Renault to run Nissan Motor Co., CEO Ghosn is still feted in manga comic books, mobbed for autographs during plant tours, and generally heaped with national adulation for saving a car company once given up for dead” (Bremner)

In a style similarly reminiscent of Lee Iacocca and the Chrysler turnaround of the 1980's Carlos Ghosn, a.k.a. “le cost-killer, has been very successful in optimizing operations management efficiency throughout a variety of automotive industry related multi-billion dollar companies thanks to his unique management approach characterized by detailed planning, speedy execution, and a laser focus on what needs fixing.

At the time the \$64 billion French automaker Renault purchased a controlling interest in Nissan the company was falling behind in quality ratings and losing market share in both its North American and Asian operations. Because of his experience in turning around Michelin's North American division Renault dispatched Carlos Ghosn to bring Nissan up to speed.

“Management science throughout the mid-1900s ushered in new quantitative techniques for common OM problems: inventory modeling, linear programming, project management, forecasting, statistical sampling, & quality control techniques.”
(Wollan)

The strength of Ghosn’s management style does not necessarily lie with the ability to reorganize companies within a particular operations management philosophy or to implement corporate policy in a similar fashion to Alfred Sloan during his years at General Motors. While at Renault and Michelin Ghosn demonstrated an uncanny ability to cut through potentially huge beurocratic obstacles to quickly eliminate costs while finding operational bottlenecks within the plant assembly process. His management style has earned him the name of “le cost-killer” although he prefers to consider himself as an efficiency enabler. A testament to that ability can be seen in how he quickly found what the lay at the root of a variety of assembly quality issues and how he implemented quick fixes. That ability is often underestimated given that many senior level executives often tend to rely on subordinates to assess the front line situation given that their technical insight is usually not as sharp after many years of top level management.

“It’s the Ghosn way: detailed planning, speedy execution, and a laser focus on what needs fixing.” **(Bremner)**

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The effective use of knowledge management systems to automate interactive business processes while providing operational and strategic information to interested users has made the companies headed by Ghosn more productive and ultimately more competitive. Investing in information technology, business intelligence, process management, or knowledge management infrastructure provides added value to a company through a ubiquitous networked medium that can access key corporate operational and strategic information. Through the development of computer applications managers can automate a variety of knowledge based business processes within a company that years prior may have been performed by humans at a higher cost. There is an endless array of automation in today's companies ranging from operations design, quality control, process related statistics, supply chain management, etc. Furthermore, CEOs and other high level managers through knowledge management systems have access to instant real-time information regarding operations at all levels in their organization whereas years prior the same information may have not been available let alone accessible forcing them to rely on lengthy audits sometimes spanning several weeks or months.

“Ghosn is fixing the Canton debacle in his characteristic fashion -- that is, with the subtlety of a chain saw. In May, he flew in 220 engineers from Japan and Nissan's older Smyrna (Tenn.) plant. The damage-control team searched every inch of the assembly line for flaws. Some were obvious: Factory hands, many of them newcomers to carmaking, wore rings and studded jeans that scratched freshly painted trucks. Other glitches were maddening: Power window switches and reading lights on the Quest often seemed possessed by gremlins, and its sliding doors didn't close quite right. So the team worked with suppliers to reengineer parts, while robots were reprogrammed to weld car bodies more tightly, and better insulation was added to the roof of the Armada. Then Ghosn shook up management, even raiding archrival Toyota to hire troubleshooter Douglas G. Betts as his new vice-president for assembly quality.” (Bremner)

Ghosn has the organizational drive to invest in the implementation of technology driven solutions has always been and will always be constrained by the high production costs, maintenance costs, and training costs, and the difficulty of adding new capabilities to systems as technology progress. In today's ever quickening global competitive business cycles companies run the risk of having little to show for their knowledge management investments given it is not uncommon for large systems to take years and millions of dollars to implement and be scrapped as they quickly become obsolete as technology changes.

Regardless of how skilled an organization is at creating a cost and operationally effective operations management infrastructure, it is always better for a company to prioritize creating a series of operations processes to fulfill market demand over building the right type of knowledge management infrastructure. If a company achieves the first objective and fails in the latter they can always quickly remedy the situation by reinvesting its profits towards the latter. However, if the reverse is true the company will have lost money and done a disservice to its owners, employees, and stockholders.

“Last year, Nissan reported profits of \$4.6 billion on \$68 billion in revenues, up 8%. It looks set to boost earnings by another 6% and sales by 9% this year, brokerage Morgan Stanley says. Nissan's \$49.7 billion market capitalization is the second biggest in the industry, after Toyota's. It has overtaken Honda as No. 2 inside Japan. And Nissan leads the global pack in operating margins (11.1%).” (Bremner)

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