

Strategic Analysis



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**Overview:**

Nissan Motor Company is mainly in the business of manufacturing automobiles and trucks. Nissan is considered one of the big three Japanese car makers along with Toyota and Honda. Founded in Japan in 1933, the company has been producing vehicles for 87 years and produces world recognized brands including Nissan, Infiniti, and Datsun (Nissan USA.). Nissan's vehicle platforms include cars, trucks, crossovers, SUVs, and vans. In addition, Nissan has branched out to build power plants for space rockets, and water vessels. From its origins in producing auto parts it grew into a world-class automotive manufacturer. As Nissan started to build a reputation, they partnered with the U.S. Army. Nissan became a partner with the United States during the Korean War (Nissan, n.d.). The Nissan name has long been respected in the United States as an affordable and reliable brand along with its luxury brand Infiniti.

We chose Nissan as our company due to the issues that have damaged the brand recently. Nissan has been in a state of rebuilding due to corruption and mismanagement within the company. Employees of the company were embezzling money, resulting in the company's CEO being charged with fraud. Former CEO Carlos Ghosn allegedly did not report \$80 million of his income to the Japanese government, and this resulted in a world-wide scandal for the company (Lucas, 2018). Since the scandal erupted in 2018, Nissan has lost approximately 42 percent of its market share. The culture of corruption which enabled an unethical workplace and created a toxic work environment will need to be remedied, management policies implemented, and a creative messaging campaign initiated for Nissan to regain its market share and its status as a world-class company.

## What caused Nissan to fail?



The firm is failing for multiple reasons, as the stock price has dropped significantly over the last five years. Looking at the stock, we can tell that the stock price has dipped considerably since Ghosn's arrest. Furthermore, this has caused them to rethink and restructure their image as a brand. Investors were skeptical of Nissan's ability to perform as an efficient company. Since dealing with the Ghosn scandal, the company has been trying to regroup and mitigate the significant damage the scandal has caused to the reputation of the company. This has forced Nissan to deal with restructuring the company in order to reduce costs. In doing so, they have incurred a \$6.2 billion loss (McLain, 2020) while at the same time, it is struggling repair its image as a reliable, value-oriented auto maker. According to research, analysts believe that Nissan will incur further losses in their effort to restructure the company (Ferris, 2020). As Nissan is struggling to reinvent itself after their scandal, stakeholders and investors are selling their stocks due to an uncertainty of its recovery.

To make matters worse for Nissan, the coronavirus pandemic has played havoc with supply and production issues. Analysts are waiting to see if the company can restructure itself in order to be successful once again. In the past, Nissan has been able to weather other storms to save itself because of its ability to produce cars that people buy and some analysts are already optimistic they might return to their former glory. Nissan has had financial difficulties throughout its time of operating, and they have been able to recover before when they were close to failing.

**Nissan's competitive advantage:**

Nissan has a competitive advantage that it can use to restructure its company successfully. It can draw on its experience of producing affordable and reliable cars. With the automotive industry trending to producing electric vehicles, Nissan is positioned well to be a market leader with its EV, the 'Leaf', an electric powered vehicle aimed at the masses. The leaf was introduced as the first EV vehicle (Coren, 2020) and has gained a foothold in the EV market share. It showcases Nissan's entrepreneurial innovation, R&D abilities, and vision as a cutting-edge company. The Leaf should be a strong seller for Nissan and if successful could help restore the company to a market leader.

Nissan has been a leader at producing affordable cars and the Leaf is no exception. It has a price point that is available to most consumers, especially in the EV market where there is a premium to pay. The Leaf is designed as an entry level vehicle for the EV market. Nissan is also known for its reliability and that image is attached to the Leaf. This will be an advantage for Nissan as first-time buyers enter the EV market. Consumers believe that Nissan products will stand the test of time as well. Parts are generally plentiful for Nissan products and readily available for repairs. Historically, Nissan parts are not over-priced. And with gas becoming increasingly expensive, Nissan's EV development for future models is perfectly situated to gain

on its competitors. This is certainly a strong suit that Nissan can leverage. By being able to fine-tune their EV production, Nissan has an advantage over its competitors.

**Value creating:**

According to Nissan, the firm captures and creates value by meeting customer expectations with superior service and by being a cost-competitive leader. Nissan has perfected its operation of being able to deliver cars quickly and efficiently. One of Nissan's most critical value-creating activities is its R&D department. This department has helped Nissan stay ahead of its competitors repeatedly. It is responsible for developing the Leaf, which held the honor of being the best-selling EV car for ten years. As its EV division matures, Nissan can focus on reducing its overall costs by economies of scale. This has to do with production, inbound, outbound, marketing, and infrastructure. Nissan creates value for its customers through its vehicles' reliability, affordability, and quality. Customers buy a Nissan knowing they are purchasing an affordable car.

Nissan's vision statement is, "Driving innovation to enrich people's lives" (Nissan Motors, 2021). The mission statement is, "Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders\* in alliance with Renault" (Nissan Motors, 2021). Their vision statement aligns with more of what they have achieved as a company, and however, it is not consistent with how they performed as a company. The mission statement should focus on the innovations they provide customers well, offering affordable, reliable vehicles to help enrich the customers' lives. The mission statement we came up with is, "The mission of Nissan is to provide customers with affordable, reliable and high-quality value-packed vehicles, well-creating innovations to help enhance our customers' world and provide value to our stakeholders". Nissan's core competencies are to focus on providing value to their customers and stakeholders, well, providing its customers with new innovative

vehicles at an affordable price. The end-game of Nissan is to continually provide customers with value-packed cars at affordable prices and keep the cars with new features to its customers. The infinite game of Nissan is to innovate new technology for its customer, well-providing value to its stakeholders.

## Stock Analysis:



The stock market is not favorable toward Nissan for two significant reasons. One of which was the embezzlement of money internally by company employees. The other is Nissan's rather sizable negative balance sheet. The market has reacted poorly to those two issues. They are afraid that Nissan might not be able to make enough money over the next few years to service its debt. Investors are avoiding buying their stock until they can prove that they will successfully recoup from their losses. Comparing Nissan to competitors, we see that Mazda has the same issues as Nissan. Mazda has incurred operating losses such as Nissan; however, they have not been able to restructure (Reuters Staff, 2020). Mazda seems to have the same issues as Nissan when comparing the stocks. Mazda and Nissan are failing to create new value within their companies. Ford and Honda have been able to perform better than Mazda and Nissan.

Ford has been successful, especially during the pandemic when other car manufacturers were unsuccessful. Ford has been able to diversify its strategy and sales through the introduction of new models. These models include fan favorites such as Bronco, Mustang and emphasize EVs and hybrid models. This has allowed Ford to stay fresh in the eyes of the customer. Toyota has been successful over the last five years by emphasizing their EV and Hybrid models. It has succeeded over the last five years by staying ahead of competitors. Furthermore, they have also been able to innovate with the introduction of affordable vehicles. These vehicles are cost-efficient, easy to repair, and provide customers with fuel-efficient cars. Toyota takes their time in development but pushes to stay ahead and be consistent with their customers. Customers understand they will get a superior product with the new features, and likewise the company knows their customer base very well. Nissan needs to focus on designing new inexpensive electric cars or hybrids for their customers such as the Leaf. Nothing spells success for an auto maker like a "hot" new model. For Nissan to regain its luster, a new product is all they need.

## **Chapter 2: Industry analysis.**

- How is the competitive setting of the industry, which of the 5 forces (plus government) is more prominent, and how it affects the firm?

The competitive setting for the car industry is quite vast. The car market is already a red ocean, a heavily oversaturated market. In regards to the Five Forces we would say the most prominent threats are The Threat of Existing Players, and the second most prominent is The Threat of New Entrants.

Nissan as of present times is not standing out in a large way; current players like Toyota and Honda that offer good quality, affordable cars are competing well against the Nissan brand. Existing players are a threat because similar established firms have their innovative selling points or unique gimmicks nailed down already. Toyota and Honda both have pretty good reputations as far as reliability, trustworthy, and quality automobile companies. The reputation of competitors affects Nissan because it can affect buyer behavior when it comes to customers. People have a herd mentality when it comes to buying for specific items, cars are one of those items. The average person doesn't want a car because it is a never heard of brand, or because they are trying to be different. Most people with average salaries and families are trying to find something dependable and cost effective so recommendations are usually accepted. The car shopping process is overwhelming enough, customers want to know they are going to be taken care of by both the car and the car provider. Most people don't want to deal with companies that have had recent scandals or financial issues because the customer could lose out in the end. Unfortunately, Nissan has had both financial fallout and management scandals causing the company hardship all around. The major threat we face from current competitors is keeping up with their current success as we rebuild trust with customers and community.

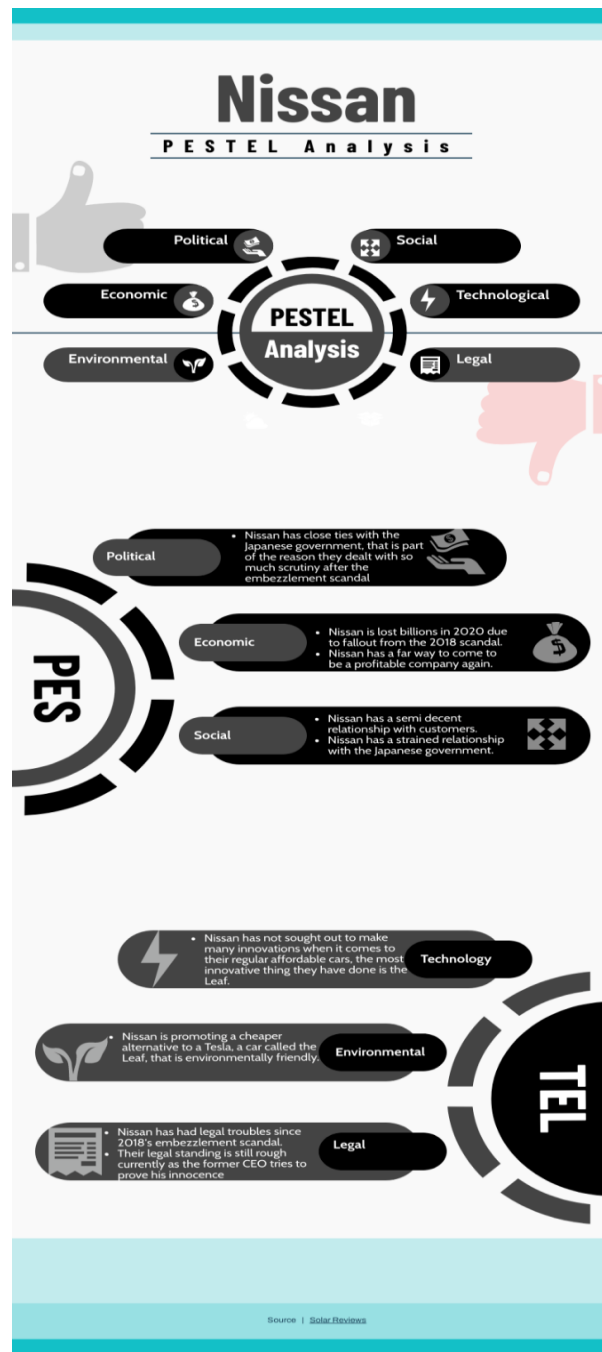


Another aspect Nissan has to face with rebuilding is the Japanese government. The Japanese government was very involved in the structuring of Nissan so they weren't happy after the controversy of internal embezzlement came out. The CEO of Nissan was sent to prison and the company came under major scrutiny by the government, which can be seen as good or bad depending on who you're speaking with. The former CEO said he was used as a scapegoat for the real embezzlers and the Japanese government was partially to blame for his downfall. One of the major things Nissan has to keep in mind for company choices is how much control the Japanese government holds as this will affect how much they can participate in the competitive industry. Nissan within the last year was given a loan from the Japanese government to try to escape going under completely, so there is hope the Japanese government will help more than hinder the company.

As we focus on rebranding as a newer greener company leading in affordable eco-friendly cars, we may be able to gain back momentum. Both competitors known and unknown are big factors, as well as the government in Japan. We think by taking steps to start again and improve as an entire company we can create a new image in the minds of competitors, customers, and regain trust from the Japanese government.



- Do a SWOT and PESTEL analysis.



SWOT Diagram: Easier to Read

Strengths	<ul style="list-style-type: none"> <li>Affordable</li> <li>Already utilizing eco-friendly technology for their cars</li> <li>Striving to become more environmentally friendly</li> </ul>
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Weaknesses	<ul style="list-style-type: none"> <li>● Distrust of the company after internal embezzlements</li> <li>● There are still untrustworthy people working at Nissan because they could pinpoint everyone at fault for the embezzlements.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>● Being able to overcome the corruption through serious auditing from third party company or the government</li> <li>● Getting ahead of competitors by quickly progressing with cars like the Leaf that promote environmental awareness.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>● Current competitors that are not facing similar struggles, trusted companies like Toyota and Honda.</li> <li>● Up and coming companies trying to break into the market for eco-friendly automobiles.</li> </ul>

PESTEL Diagram: Easier to Read

Political	<ul style="list-style-type: none"> <li>● Nissan had close ties with the Japanese government, that is part of the reason they dealt with so much scrutiny after the embezzlement scandal.</li> <li>● Nissan is still dealing with governmental issues 3 years after the scandal but was granted a loan in 2020 to help save them by the Japanese government.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>● Nissan is not a profitable company at the moment.</li> <li>● In 2020 Nissan had a net loss of \$3,944,723,615.</li> <li>● Nissan hasn't been profitable</li> </ul>

	since March 2019.
Social	<ul style="list-style-type: none"> <li>● Nissan has a semi decent relationship with consumers but has damaged trust after 2018's scandal.</li> <li>● Nissan has a relatively poor relationship with the Japanese government which is the government of their home country.</li> <li>● In 2020 Nissan received a \$1,143,642,500.00 loan from the Japanese government after another year of loss.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>● Nissan has not sought out to make many innovations when it comes to their regular affordable cars, the most innovative thing they have done is the Leaf.</li> <li>● Customers can travel up to 226 miles after one charge of their Nissan Leaf.</li> <li>● The Leaf is a BEV or a battery electric vehicle.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>● Nissan is promoting a cheaper alternative to a Tesla, a car called the Leaf, that is environmentally friendly.</li> <li>● Nissan is making efforts to reduce their carbon footprint by manufacturing cars that have zero emissions.</li> <li>● Nissan makes vehicles that are easy to recycle in structure and reusable material-wise.</li> </ul>
Legal	<ul style="list-style-type: none"> <li>● Nissan has been in legal trouble since 2018 after a huge embezzlement scandal.</li> <li>● Nissan's CEO was blamed for the scandal and arrested.</li> <li>● After escaping prison the</li> </ul>

	former CEO, Carlos Ghosn, claimed his innocence and said he was set up to take the fall, that there is more corruption in Nissan in upper management than was/is being acknowledged.
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The Nissan SWOT diagram breaks down the strengths, weaknesses, opportunities, and threats the company faces currently. Nissan's strengths focus on their product price and quality. The cars produced by Nissan are good quality and not overly expensive. The company has also found great success in prioritizing green energy in one of their cars, the Leaf. The greatest strength Nissan has on their side is the Leaf is the cheapest eco-friendly car on the market, a lot more affordable than a Tesla.

The weaknesses Nissan currently struggles with are due to untrustworthy management. In 2018 the CEO of Nissan was arrested for embezzlement of company funds. There is debate as to whether the former CEO was set up to take the fall or if he was actually responsible, but regardless it is unlikely that there was only one person in high management stealing. Though the former CEO was arrested the entire scandal caused a decline in the company's success. The majority of people don't want to buy from problematic brands. The opportunities Nissan faces are with innovative measures. The Leaf had great success as the cheapest electric car on the market. If Nissan makes more cars with similar eco-friendly abilities they will thrive. Climate awareness is very important to a lot of people, the goal for most car companies in the US is to be mostly electric in the upcoming years. If Nissan takes advantage of the unsaturated market and their cheaper price point, they could skyrocket to success with affordable electric cars.

The biggest threats Nissan faces has to do with two of the five forces, existing competitors and unknown competitors. As mentioned above many car companies are moving in the direction of going greener to help the environment and profit off of good intentioned consumers. Established companies like Toyota and Honda are already doing well, currently even better than Nissan. If Nissan were to drag out their innovations of affordable green cars other companies could get the jump of being cheaper trendsetters. Other established companies that have made statements on their intentions we can predict as certain threats, but there is also the threat of newer unknown companies that could enter the market.

- What are the industry opportunities that can be pursued?

Nissan has several routes that we can pursue as a company. The most plausible opportunity, and probably the smartest, as of right now is to focus on the Leaf. The Leaf is one of the cheapest electric cars on the market. Nissan can focus on creating more cars like the Leaf that will be good for the environment and customer friendly price-wise. Electric cars and hybrids are often marketed towards the affluent and wealthy, Nissan would be the first to take advantage of the untapped market of environmentally conscious young people, high schoolers and college students. By providing a cheaper alternative to a car like the Tesla Model 3 Nissan is promoting that being environmentally conscious is for everyone, not just those who can afford it. Nissan already has decently priced, reliable automobiles and now they can provide a step further. Not many car companies focus on young people as their target demographic because the younger generations so this could give Nissan a chance to reintroduce themselves to the new generation as their choice of car. This industry opportunity would be quite possible for Nissan as it would

mostly focus on slight rebranding through advertising, and continuing to make eco-friendly cars, which the company was already planning on doing.

- What generic strategy do you think the firm should pursue? Why? –Use 5 forces and SWOT to justify

As a generic strategy we think that Nissan should pursue a cost-based strategy. Our market is not niche, and our products aren't incredibly different from our competitors so we don't think aiming for severe differentiation would be the right move. The products Nissan are selling, cars, are part of a pretty saturated market already. Electric and eco-friendly cars are not as common as regular automobiles but they are becoming more popular, especially after Tesla released the Tesla Model 3 for \$35,000, a slightly more affordable Tesla. Nissan is able to jump into a less saturated market of cheaper electric cars and would be able to stake claim as one of the original car companies pressing forward on environmental awareness with affordability. By using Nissan's strength of having reliable, affordable cars, and coupling that with how Nissan already has an established eco-friendly car, the Leaf, Nissan can showcase their green innovations for the average person. The opportunity Nissan has to rebrand as the car company of money-conscious, planet-conscious people would take Nissan to the next level of business.

Partial rebranding while keeping what is working would create just enough change to carry Nissan away from the weakness of distrust from their past scandals. The only threats Nissan will face from the 5 Forces is the competition presented by current competitors, and the potential competition that may come from unknown competitors. The generic strategy to go for best pricing for a product is supported by the SWOT analysis of Nissan; it gives their strengths extra support, will distance them from current weaknesses, will take advantage of apparent



opportunities, and if they act quickly will assert experience or dominance above current and potential competitors.

### **Chapter 3: Firm's resources.**

- What is/are the most important value-chain activity for the firm? What activities in the value chain need to be redesigned to pursue the new strategy?

The most important value-chain activity for Nissan revolves around the result alliance. This alliance was between Mitsubishi and Nissan that targeted the companies corporate social responsibility. Their alliance was built in hopes of having a better relationship with suppliers. In order to form the alliance the three had to commit to being eco friendly in all aspects. This was significant because they used their value chain to complement their corporate social responsibility. This all ties back into the operations aspect of the value chain analysis. In order to pursue the new strategy, Nissan must reevaluate their support activities. The downfall of Nissan was caused literally. In order to restore the firm's name and bounce back they must redesign to prevent such an event from occurring again.

- •What are the firm's core competencies?

The firm's core competencies are safety, environment, performance, and life on board. Nissan prides themselves in providing some of the safest vehicles on the market. With their emphasis on safety, they developed the three layered approach which acted as a domino effect involving vehicles, individuals, and society. The number one priority is making sure the driver is safe at all times. Creating a reliable car that can withstand

accidents and coating technology to try and prevent them is missam. The safer the car, the safer those around the vehicle. Using technology to keep the driver as attentive to the road/surroundings not only helps the driver, but those in the area. The domino effect comes into play as a safer driver, a safer environment. The combination of the two helps create a better society as a whole.

- Use the BCG matrix to assess the company and its products.

<p>Star</p> <ul style="list-style-type: none"> <li>- Nissan Leaf (EV)</li> </ul>	<p>Question</p> <ul style="list-style-type: none"> <li>- Debating whether or not missam should continue investing into EV</li> </ul>
<p>Cash Cows</p> <ul style="list-style-type: none"> <li>- Missam is the market leader for forklifts</li> <li>- Infinite amount of cars</li> <li>- Future market leader for electric vehicles</li> </ul>	<p>Dog</p> <p>Missam had to discontinue the altima couple model because it had a low market share and growth rate</p>

- Is the human/intellectual capital available sufficient and efficient?

Missam's downfall had come from the mistake of one individual in the firm. Due to his choices, missam does not have the human/intellectual capital available. Prior to this scandal, missam was doing well but they were struggling with innovation. What CEO Carlos Ghos had pulled off had resulted in damages to the company's finances and the reputation. From a firm's

stadpoit it is hard for missam to bring in the necessary personnel needed when the firm is at its lowest point. While attempting to get the firm back on track, missam is lacking the capital needed to take steps in the right direction.

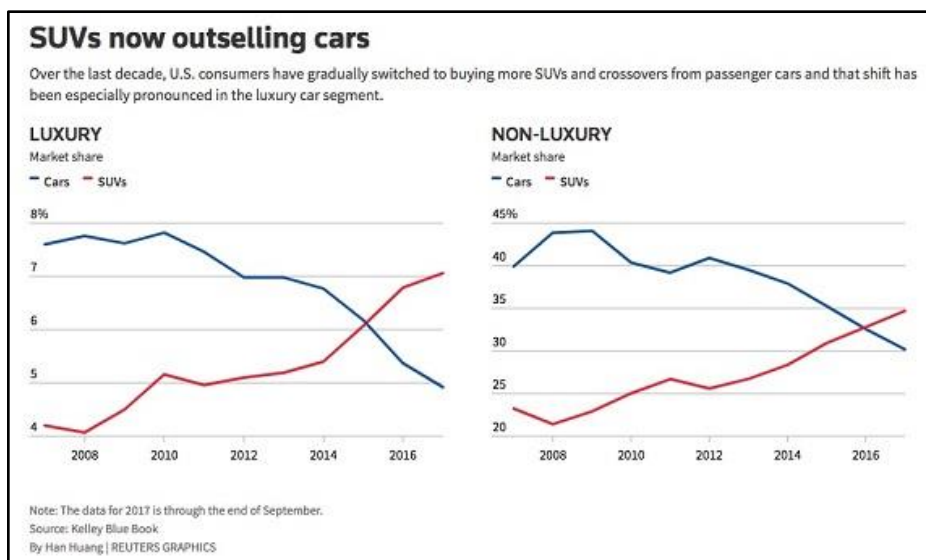
- How well is the firm investing and managing its strategic resources?

Missam as of recently has been on a decline these past couple of years. The firm had most recently lost 6.2 billion in the year 2020. The company is currently attempting to reduce spending in order to help lower its debt. In previous situations missam has been struggling and they always found a way to manage. Restructuring themselves using their resources is doable as it is not the first time they are experiencing difficult times at the firm. The company is great at bouncing back and we believe with their goal of leading the electric vehicle market we will see the firm bounce back once again.

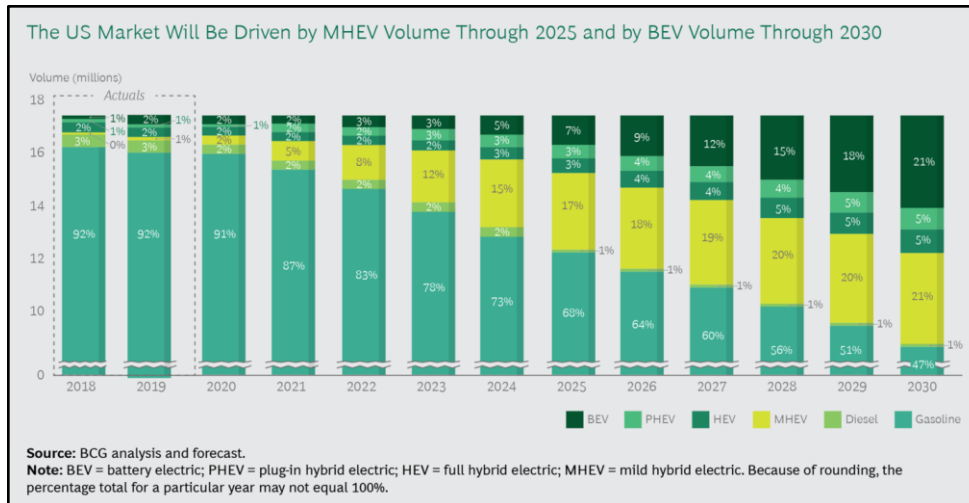
## Chapter 4: Solution description and goals of strategic plan/Strategic implementation part

### Operational and business-level changes.

Nissan's products start with the creation of the product. The product life cycle of each car model lasts one year. Similarly to products like the iPhone, the product improves every year. Car manufacturers release new models when they see a change in the market or demand for a different style of vehicle. Market changes are slow as consumer sales cycles span many years. People do not buy cars very often, as they last a long time. Consumer preferences are also slow to change in the vehicle space. Starting in 2008, it took 8 years for SUV's to outsell normal sedan style cars (Motorlease, 2020).



This slow change is an example of the type of trend Nissan needs to follow in order to predict demand and release new models that align with the changing demand. One such change in demand is the transition to electric vehicles. This growing segment of the car market is becoming popular and market demand is shifting. A report by Boston Consulting Group predicts that electrified vehicles will overtake gasoline vehicles in the next 9 years (BCG, 2020).



This change in market demand shifting toward electric vehicles poses an opportunity for Nissan.

Nissan is already one of the market leaders for electric vehicle sales with their ‘Leaf’ model.

Nissan can continue to transition their electricified vehicle offerings to match the change in demand. Nissan can do this by offering electric vehicles with cost leadership and differentiation.

Nissan's current ‘leaf’ model is the most affordable EV on the market, starting at under \$30k.

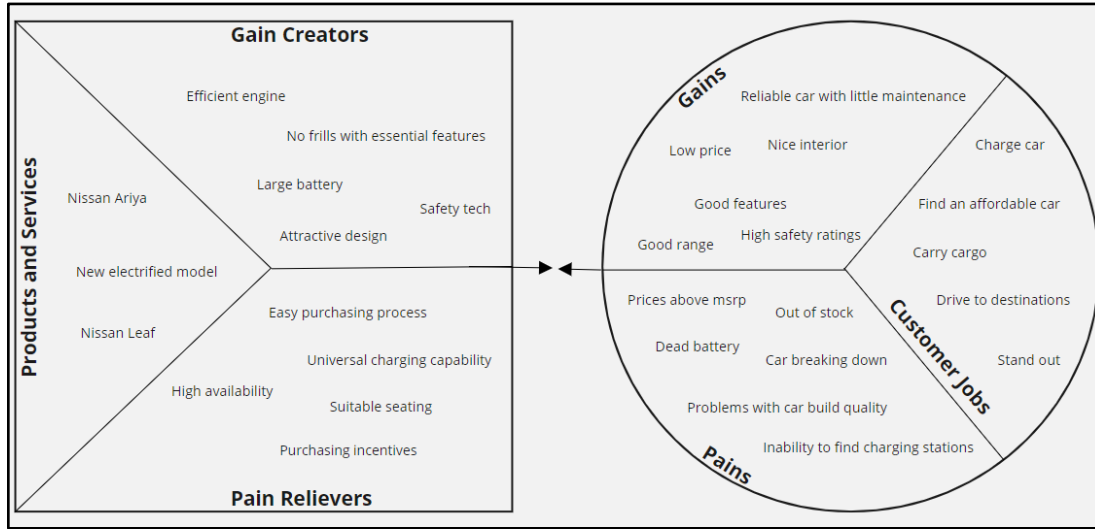
They positioned the model with cost leadership and differentiation through the intense focus on creating an earth-friendly vehicle that environmentally conscious consumers would want.

Looking at other opportunities to expand EV offerings, Nissan could tap into the demand for SUVs. By offering a market leading price for a barebones-quality crossover SUV under \$30k,

Nissan can take advantage of both the EV and SUV trend. This new vehicle would take technology that Nissan has created for the LEAF and implement it in the new car. This new car could also use the same platform as other Nissan vehicles such as the popular Nissan Rogue.

This would keep development and manufacturing costs at a minimum.

## Value Proposition Canvas for Nissan Electrification



## 7 Steps Towards Creating a New EV Model

1. Conduct market research on desirable features for a new EV
2. Start designing the product
3. Acquire, modify, or build production facility
4. Test minimum viable product and modify until satisfied
5. Construct final product
6. Beta test the product
7. Start production

## What are the proposed new strategy and specific goals to achieve it?

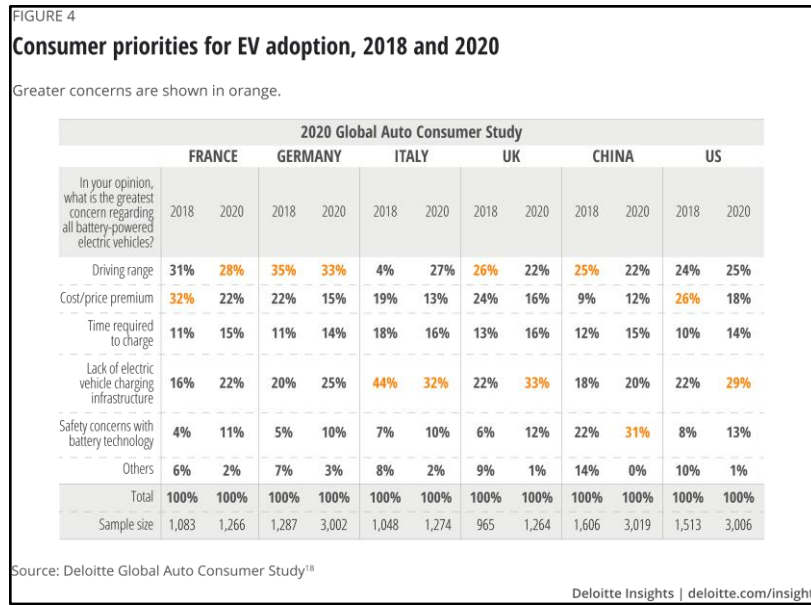
The new strategy we propose for Nissan to implement is the transition to fully electric vehicles with compelling infrastructure. This strategy will aim to capture market share before competitors. To do this, Nissan should transfer at least 50% of its lineup to electric vehicle offerings. Nissan should also invest in EV infrastructure to support these new cars. The

foundation for innovation is human talent. Knowing this, Nissan should transition much of its workforce to employees that specialize in EV technology. In order for Nissan to be able to fund this transition and development, they must double R&D funding. Nissan's R&D currently sits at around 5% of revenue which is way under Tesla's budget of around 18% (Evannex, 2021). For the proposed 50% electric vehicle lineup, Nissan must introduce eight new EV's by 2030. These EV's can use the same frame as current gas vehicle offerings. They can also use the same battery technology and similar internals as the other EV's. Sharing technology will keep costs down and increase the speed to market. This will ensure that Nissan will be able to release all eight vehicles by 2030. As for charging infrastructure, we can learn from the EV market leader Tesla.

According to an analyst from U.S. Bancorp, Tesla needs to spend \$8 Billion for their charging infrastructure to match the convenience of U.S. gas infrastructure (DeBord, 2017). Tesla revenues currently sit at around \$30 Billion; Nissans revenue sits at around \$90 billion (Dean, 2021) (Nissan, 2021). Nissan has the revenue it needs to invest over \$8 billion into its EV charging infrastructure in the next ten years. This will solidify its charging infrastructure and cement Nissan as a market leader.

**What type of innovation should the firm invest in and steps to implement it? What is going to be a source of funding?**

Looking into the next few years, battery technology will be at the forefront of EV innovation. The ability for car manufacturers to keep battery costs down will be crucial in order for them to compete on a price basis. The battery alone accounts for around 30% of the total cost of an EV to consumers (Boudway, 2020).



In a global consumer study conducted by Deloitte, a survey was conducted to find consumers' most important concerns for EV adoption. Driving range was the most popular concern for 25% of the study group (Deloitte, 2020). As consumers demand longer range, battery size will increase, putting pressure on manufacturers to reduce the price per kWh. Developments in battery technology will be a crucial innovation that Nissan must invest in during the coming years. Nissan already has a budget in place for R&D, albeit a small one compared to the funding that is necessary to compete in a new market segment such as EV's. In order for Nissan to stay competitive, they must pivot R&D towards battery technology as well as increase R&D spend. Many would agree that the current market leader in battery technology is Tesla Motors. This company has an intense focus on battery innovation and even went as far as creating an annual event dubbed "battery day" to announce new developments and improvements in battery tech. Although, being the market leader in battery technology comes at a price. Tesla's R&D budget as a percentage of revenues is three times greater than that of traditional auto manufacturers. 18% of Tesla's revenue goes into R&D compared to the industry average hovering around 5% of revenue (Evannex, 2021). Nissan Motors R&D budget is on par with the industry average right



around 5% (Nissan, 2019). This is the level of emphasis that Nissan should place on battery innovation in order to compete and claim marketshare early on in EV adoption.

Still, battery technology is not the most important consumer priority for EV adoption. Coming in at 29% of the surveyed population's biggest concern was a lack of electric vehicle charging infrastructure. Looking at the Nissan Leaf page on Nissanusa.com, there is a lack of emphasis placed on the availability of charging stations. The information regarding charging stations is vague. The website states that there are "tens of thousands of public charging stations" to use in a small section of the features page (Nissanusa, 2021). To ease customer concern, Nissan must increase the transparency of charging stations available. If charging stations are not available, Nissan must create EV charging infrastructure for their vehicles. Funding will need to come out of revenues. This will increase the number of initial expenses that Nissan must swallow in order to become a market leader early on in EV adoption.

**Using the Ansoff Matrix, how do you classify your solution (innovation)? What does it mean to the utilization of resources?**

The innovation of new battery technology as well as new charging infrastructure would be an example of diversification on the Ansoff Matrix. The EV market is new since it is an unexplored market segment by many vehicle manufacturers along with the technology that goes with these EV's. These innovations are also new products since they are used to increase Nissan's offering in the EV space. Thus, this innovation is an example of diversification.

Innovations in battery technology and charging infrastructure eat into company resources. The effective utilization of resources depends on the company's ability to expend and build

resources through the creation of new innovations. Innovations in battery technology will cut into revenue due to R&D, but the long term assets that result from these innovations will outweigh the cost of production. This is the same story as with EV charging infrastructure. Charging infrastructure will expend many resources upfront, but will prove to be lucrative long-term due to the positive outlook on the future of EV's.

**Explain in detail how each solution solves a problem that you have mentioned beforehand.**

**Provide data and evidence that your solution makes sense and it is viable and how it is going to be implemented step-by-step. •What are the firm's challenges regarding cost reduction? What is the strategy to reduce firm costs?**

As explained earlier, the problem with Nissan is that there is nothing that stands out about the brand. No product lineup or piece of brand identity compels consumers to choose Nissan over competitors like Toyota and Honda. A focus on EV's can change this lack of innovation. A large EV lineup could spur the revival of Nissan's identity and cement Nissan as a leader in EV innovation. During the first quarter of 2021, Nissan's revenue was about \$18 billion (Nissan, 2021). Following this trend, Nissan would have about \$80 billion in revenue by year end. A doubling in R&D would give Nissan \$4 billion to develop a new EV every year. The cost of developing a new car starts at \$1 billion and can go up to \$6 billion (Shea, 2010). Knowing this, Nissan would have the funding necessary to release eight new EV's in the next decade, considering that development costs would also be reduced by shared technology between models. This increased R&D budget along with a pivot of funding will give Nissan the ability to reach both the new EV model and infrastructure goals for the next decade.

EV models will roll out once per year until eight new models are released. Along with this, \$8 billion in EV infrastructure will be constructed within the course of the decade. The biggest challenge regarding cost reduction is the initial cost of developing new technology for the EV lineup.

USD in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	69.5	71.0	74.6	78.3	82.2	86.3	90.6	95.1	99.9	104.9	110.1
R&D % of Rev	5%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
R&D Budget	3.475	7.1	7.5	7.8	8.2	8.6	9.1	9.5	10.0	10.5	11.0
% R&D Budget transitioned	0%	6%	13%	19%	25%	31%	38%	44%	50%	50%	50%
R&D Budget for EV's	0	3.6	4.0	4.4	4.7	5.2	5.6	6.0	6.5	7.0	7.5
<b>Expenses</b>											
EV Charging Infrastructure	0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
New EV Model	0	3	3	3	3	3	3	3	3	3	3
Deficit/Surplus	0	-0.17	0.18	0.55	0.94	1.36	1.79	2.24	2.72	3.21	3.74
<b>Assumptions:</b>											
5% increase in yearly revenue											
\$3 billion cost to develop EV											
50% transition of current R&D to EV development and infrastructure over 8 years											

To reduce costs throughout the course of the decade, Nissan should use shared technology.

Nissan can use platforms from existing models for new EV's as well as using shared technology between new models. A single model for an EV charging station can also be used so that it is only developed once.

### **How can the firm develop product differentiation? Which products stay, which ones go?**

Nissan can develop product differentiation by offering a product that is exceptional, good for the environment, and is available at a market leading price. Nissan already has some of the most affordable vehicles available as well as the cheapest EV in the U.S market. Cost leadership is what they know best and will continue to leverage. Nissan's EV's will take advantage of previous developments from the popular Nissan Leaf to use in their new offerings. All of the new EV's will be marketed as the clean option in comparison to gas vehicles.

Looking at Nissan's current lineup, there are eight cars that must be replaced by EV alternatives. The models are the Nissan Maxima, Kicks, Armada, Murano, Titan, NV, NV200, and GT-R. These models have some of the lowest sales figures out of the whole Nissan lineup.

They can be removed from the lineup or re-imagined into an EV depending on management's assessment of opportunity.

**What is the impact of new product strategies on the firm's organizational/costs structure?**

The frontloaded price tag of these new product strategies will affect Nissan's organizational/cost structure. A large part of this cost will come from the doubling of R&D for the next ten years. This cost strategy is necessary in order for Nissan to establish itself as an EV market leader. This capture of market share will cost a lot, but will ensure profits for the next few coming decades. The cost structure will pay off and prove to be extremely fruitful for Nissan as EV's outpace gas vehicle sales. During the start of Carlos Ghosn's leadership at Nissan, he cut costs in departments from supply to product development (HBR, 2014). It is imperative for Nissan to maintain leadership that supports innovation and stray from this type of innovation inhibiting leadership as well.

**Chapter 5: Strategic implementation part 2: Corporate-level changes.**

For Nissan to fund the new developments and expansion, they must take the approach of leveraging debt. Auto manufacturers, such as Nissan, require considerable amounts of capital to finance the electric vehicle auto manufacturing process. The Department of Energy sponsors the development of innovative vehicles with the Advanced Technology Vehicles Manufacturing Loan Program (ATVM). The Department of Energy had previously rescinded the remaining part of the ATVM program credit subsidy appropriations in December 2020 but has since revived the program. The program has \$17.7 in loan authority to support the manufacture of eligible fuel-efficient vehicles and their components. With the new ATVM loans, companies that are looking to establish electric vehicle battery related components are being prioritized.

Another source of funding would be from automotive sales. In the fiscal year of 2020, Nissan sold an estimated 15 million vehicles. Financing is raised through multiple sources including short and long-term loans from banks, and lines of credit. Funding will gradually be redirected from gas vehicles to support the research and development of electric vehicles and their components.

In order to implement the new strategy, Nissan must build an electric-vehicle battery plant to cut costs and improve efficiency. Nissan is known for providing dependable, exceptional vehicles at a market rate. As of April 2018, Nissan took the lead for the world's largest electric vehicle manufacturer and had the 2<sup>nd</sup> top-selling electric vehicle, Nissan Leaf, globally. The Nissan Leaf held the position as the title holder of the world's all-time top selling plug-in electric vehicle until the Tesla model 3 unseated the Leaf in early 2020 to become the all-time best-selling EV. In order to catch up to Tesla and compete with their other competitors, backwards vertical integration by taking over their own battery production is required. Vertically integrating the manufacturing of battery products will allow Nissan to have more control over the process, lower costs and improve quality control.

To integrate operations. Nissan will work jointly with Envision AESC to run and operate a battery plant in the US. As of right now, the two are key partners but there is a strong need to increase Nissans stake in order to have a hand in the battery research and development. Envision Group acquired AESC from Nissan, but in order to implement the new strategy and internalize, Nissan must have a larger stake and will reacquire AESC.

A strategic alliance with Envision AESC would allow Nissan to gradually begin the internalization process without raising costs dramatically and share the risk. This method of

expansion supports the growth of the firm and allows Nissan to increase their market share and obtain government subsidies and tax incentives.

## **Chapter 6**

The dream of the future envisioned by Nissan's founder and the accomplishments made along the way are what have led Nissan to becoming a leader in automotive technology. But one person is never enough to grow and adapt, to create a culture that can be looked back upon and show how creativity was born and utilized to create imagination into reality. It is through proper leadership that Nissan has reached such heights, it is also improper leadership that has led Nissan to mismanage its resources and lose its value in consumers' hearts. Changes must be made in order for Nissan to bring back its creativity and regain its renown image as a rival of automakers and innovator of the next generation of vehicles.

Making changes cannot be understood until the company's history is looked upon. What was it that founded Nissan and who were the people behind its success? Who are we looking for or rather what are we looking for in future leaders and innovators at Nissan?

Yohisuke Aikawa founded Datsun and went official with Nissan in 1933, he was the creator of the first mass-produced vehicle of Japan. He learned about the industry and saw the great potential for growth after spending time in America. He started producing parts using the methods he was taught in America which were superior to Japan's old method and began to buy up companies along with founding new ones. Everything came together in 1933 when Nissan was founded and Nissan, Hitachi, Nissan Chemicals, and Nihon Life Insurance came under the

Nissan umbrella. Aikawa went on to politics and helped Nissan grow through development projects to enrich Japan.<sup>1</sup>

Yutaka Katayama brought Nissan to the U.S. not as a product but as a service that could solve any Datsun issue that could pop-up, the goal was to make a simple vehicle that was serviceable because parts were readily available and technicians were on duty. It was through Katayama that the everbeloved “Z” series was created which in 1967 helped Katayama establish Nissan as a quality product in America and helped it grow through the American audience.<sup>2</sup>

Hiroyoshi Kato<sup>3</sup> drew inspiration from the “Z” series and was part of the creation team of the “GT-R” series that had its presence grow on the track and in pop culture through movies and games.

Every step of the way there were great figures guiding and helping Nissan reach new heights and areas to expand upon. Nissan’s leadership has been remarkable until Carlos Ghosn’s arrival and influence on Nissan. Shortly before Ghosn in the 1990’s Nissan had been hit by financial difficulties due to its “unimaginative marketing, unresponsive management, overstaffing, disputes between management and unions, and boring cars that were out of step with current trends.”<sup>4</sup> Despite its previous great leadership something fell through and made Nissan lose its core competency. Nissan’s leadership was in turmoil until the arrival of Carlos Ghosn.

Carlos Ghosn joined Nissan after its merger with Renault as Renault had taken in part of Nissan’s debt. Through the merger Renault invited Ghosn to fix up Nissan and that he did,

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<sup>1</sup> [https://www.nissan-global.com/EN/HERITAGE/LEGENDS/#/LEGEND\\_01/index](https://www.nissan-global.com/EN/HERITAGE/LEGENDS/#/LEGEND_01/index)

<sup>2</sup> [https://www.nissan-global.com/EN/HERITAGE/LEGENDS/#/LEGEND\\_02/index](https://www.nissan-global.com/EN/HERITAGE/LEGENDS/#/LEGEND_02/index)

<sup>3</sup> [https://www.nissan-global.com/EN/HERITAGE/LEGENDS/#/LEGEND\\_03/index](https://www.nissan-global.com/EN/HERITAGE/LEGENDS/#/LEGEND_03/index)

<sup>4</sup> <https://factsanddetails.com/japan/cat23/sub184/item923.html>

Ghosn had a two nicknames “IceBreaker” and “Le Cost Killer”<sup>5</sup>. Ghosn saw Nissan’s issues right away, Nissan had been cutting costs in its product development while its competitors were seemingly investing more into theirs.<sup>6</sup> Through Ghosn’s methods Nissan was finally starting to turn a profit but that wasn't without the sacrifice of multiple factories being shut down or sold and workers being fired. Ghosn lived an absolute life of luxury as his salary was arguably higher than his Japanese counterparts<sup>7</sup>, but that possibly wasn't enough since later on Ghosn was charged in Japan of embezzlement, he was being charged with using company assets for personal gain and later on his son was also found guilty of the same crimes<sup>8</sup>. Before being found guilty Ghosn and his son escaped Japan and fled to Lebanon.

This brief overview of Nissan puts into perspective what Nissan’s leadership was like, when it lost its focus, and where mistakes in leadership were made. It's through this history and understanding that we can begin to see where Nissan needs to improve in its organizational structure.

To begin addressing the issues surrounding Nissan we can look at their current leadership after the exit of Carlos Ghosn. Is the current leadership focused on growth for growth’s sake or are they actively improving Nissan for the betterment of Nissan, did Nissan undergo management restructuring, are there any lingering ethical concerns, are the current executives skilled enough to not repeat past mistakes, are the correct hiring mechanisms in place, and are good employees being given opportunities to take on more responsibility?

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<sup>5</sup> <https://factsanddetails.com/japan/cat23/sub184/item923.html>

<sup>6</sup> <https://hbr.org/2002/01/saving-the-business-without-losing-the-company>

<sup>7</sup> <https://www.businessinsider.com/why-renault-nissan-head-carlos-ghosn-was-arrested-2018-11>

<sup>8</sup> [https://www.washingtonpost.com/business/ghosn-gone-other-nissan-former-executive-set-to-face-trial/2020/07/30/1c2544a8-d24f-11ea-826b-cc394d824e35\\_story.html](https://www.washingtonpost.com/business/ghosn-gone-other-nissan-former-executive-set-to-face-trial/2020/07/30/1c2544a8-d24f-11ea-826b-cc394d824e35_story.html)



To start addressing some of these questions we can begin to look at what current or past employees have to say about Nissan in recent years. Many employees have complained about the issues of work-life balance and have noted it is related to senior management because of their top-down management approach, some have even commented on the lack of opportunities available at Nissan for moving up to carry more responsibilities. The approval of the current CEO is high but looking into Glassdoor's user reviews of Nissan we can see the ratings and trends point to a low positive business outlook for the future of Nissan.<sup>9</sup> If employees believe that the company will not be relevant in the future and Nissan continues to reject offering opportunities for growth in its environment, its employees will continue to believe that there is no business outlook for Nissan and thus will not give it their all to help Nissan achieve continued growth.

Nissan is still a company fighting internal politics such as ethics concerns since the exit of Carlos Ghosn. In an interview with a short term CEO in 2019, Hiroto Saikawa, Saikawa acknowledged receiving dubious payments which Board member, Yasushi Kimura claimed was not illegal.<sup>10</sup> The ongoing issue of ethics problems is something that still needs to be addressed at Nissan which can be solved with management restructuring.

Nissan needs to take on a trustworthy approach for its employees. With the current internal conflict Nissan is facing with its grey areas in the executive side, employees need to be able to trust Nissan as a whole to be able to complain about their issues to Human Resources and have action taken to prevent internal conflict. Having the trust of employees will reduce the need for whistleblowing if they can trust the proper actions will be taken if their concerns are voiced.

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<sup>9</sup> [https://www.glassdoor.com/Reviews/Nissan-Reviews-E3535\\_P3.htm?filter.iso3Language=eng](https://www.glassdoor.com/Reviews/Nissan-Reviews-E3535_P3.htm?filter.iso3Language=eng)

<sup>10</sup> [https://www.washingtonpost.com/business/economy/business-digest-ceo-of-nissan-resigns-over-questionable-payments/2019/09/09/a5ec5372-d307-11e9-86ac-0f250cc91758\\_story.html](https://www.washingtonpost.com/business/economy/business-digest-ceo-of-nissan-resigns-over-questionable-payments/2019/09/09/a5ec5372-d307-11e9-86ac-0f250cc91758_story.html)

Nissan currently faces an issue where they fear Nissan because of actions they have taken against past employees.<sup>11</sup>

For Nissan to revive their dream of the future they have to reconstruct their organizational structure. What task is Nissan trying to complete, what technology do they have that will bring them closer to achieving said tasks, are the personnel available at Nissan capable of reviving that dream. Nissan is part of a large group with Mitsubishi and Renault inside of that large group there is a Steering Committee which handles reporting to top management and monitors three other separate teams working in vastly different departments.<sup>12</sup> If the Steering Committee is broken up and structured in a diverse fashion it may solve the issue of data handling. The current structure of hierarchy that Nissan and Renault are using jointly is Divisional Organization Structure. A common problem with this structure is the lack of sharing ideas which will most likely be a leading cause in the lack of innovation and creativity. The focus of a divisional structure focuses too much on generating sales revenue for each division creating too much competition inside of Nissan leading to a difference in quality and a different image of design. A way to address the issue is breaking up the divisions further and removing the focus on profit generation and transitioning it back to innovation which will tug profit generation as innovation grows.

The divisional structure is by no means a bad fit for Nissan; it just needs to be reworked to address Nissan's issues. So I propose the strategic business unit strategy. The benefits of following a SBU strategy lets division managers focus on their objective completely. If in the mix of their responsibilities extra objectives are tied on it would hinder their progress in keeping

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<sup>11</sup><https://www.japantimes.co.jp/news/2021/03/30/business/corporate-business/nissan-ravinder-passi-carlos-ghosn-whistleblowers-corporate-governance-business-ethics/>

<sup>12</sup> <https://www.hierarchystructure.com/nissan-corporate-hierarchy/>

up with their responsibilities and in the innovation they are doing; it needs to be kept simple and separated from a profit focus which can be handled by a completely separate team. The benefits with a SBU strategy would let Nissan hire the correct candidates for the correct positions as they would be very clear responsibilities since each division handles a specific task in the hierarchy.

### **Concluding Remarks**

Nissan has come a long way and with success lost its purpose in turn for profit. Its goals having changed put Nissan on a downward path which got steeper with every CEO that stepped in. Carlos Ghosn was the biggest cliff fall in the issues facing Nissan as his contribution to saving Nissan cost Nissan its development and hardworking employees and advanced production centers.

Nissan after removing Ghosn still struggled with corruption that can be solved with implementing a new organizational strategy, the Strategic Business Unit Strategy. This will address only one of Nissan's issues because there is only so much an organization can do with a solid goal. For Nissan's new goal we have confidently selected that the best course of action would be for Nissan to focus its efforts into making affordable EV's and expand on the EV-Charging market as it is currently the owner of the cheapest EV in the market for consumers.

We move Nissan's focus to EV's because of the trend many countries are addressing which is to phase out the use of gas-powered motor vehicles by 2035-2050. Nissan's new vision in addition to its new organizational strategy will help Nissan address its issues and power through a greener, friendlier image than it currently has.

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