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9B19M092

CARLOS GHOSN: HERO OR VILLAIN?[[1]](#endnote-1)

Andrea Santiago and Fernando Martin Roxas wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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For the third time in seven weeks, Carlos Ghosn, multiply awarded chairperson of Groupe Renault (Renault), Nissan Motor Co. Ltd. (Nissan), and Mitsubishi Motors (Mitsubishi), was arrested and detained by Tokyo district public prosecutors—this time on the grounds of breach of trust. Instead of greeting 2019 in one of his luxurious homes in Beirut, Brazil, or France, Ghosn found himself in a five-square-metre detention cell in Tokyo, Japan. It was a fate that 64-year-old Ghosn had not expected.[[2]](#endnote-2) In 2017, the three companies had produced 10 million cars, making the alliance one of the largest automakers in the world.[[3]](#endnote-3) Ghosn was responsible for the turnaround of Nissan in the late 1990s, and he was also featured in comic books due to his popularity. He had been preparing an implementation plan that would cement, in 2019, the alliance among the three automotive firms into a holding company structure that would make him the overall chair.

The 2019 arrest and subsequent indictment of Ghosn, a Brazilian-born French citizen with Lebanese blood, triggered a great uneasiness among all of the companies’ shareholders and was reflected in erratic trading.[[4]](#endnote-4) It threatened a formula that would have allowed each of the three companies to gain ground in the automotive industry,[[5]](#endnote-5) even though Mitsubishi was a late entrant to the alliance and implementation plans were still afoot. The indictment raised many questions about corporate governance reforms in Japan that Prime Minister Shinzo Abe had been instituting since 2010. It challenged the relationships not only between Japan and France, which had a vested interest in Renault, but also between the nations in which Ghosn had grown up: Brazil and Lebanon.[[6]](#endnote-6) Ghosn was not only the celebrated *gaijin,* or foreigner, who defied Japan’s long-term employment and *keiretsu* (informal company group) system, but he was also an international figure who rubbed elbows with government leaders, especially where automotive companies were located.[[7]](#endnote-7)

Relationships were uncertain. What could Nissan do in its corporate governance structure to restore investor trust and prevent the recurrence of another Ghosn scandal? What would happen to the alliance between Nissan, Renault, and Mitsubishi?[[8]](#endnote-8)

**The Birth of the Alliance and the Role of Carlos Ghosn**

Century-old Nissan was the largest manufacturer of electric vehicles by 2018. However, the stellar performance of the company would not have been possible had it not been able to overcome the financial hurdles of the 1990s.[[9]](#endnote-9) Nissan sought out partners that included Daimler Chrysler and Renault, but it was the latter that Nissan partnered with. In 1999, Renault purchased a 36.8 per cent stake in the company. Renault then assigned Ghosn to help revive the firm. Yoshikazu Hanawa, the president of Nissan at that time, agreed on the condition that Ghosn would come in as a Nissan and not as a Renault executive.[[10]](#endnote-10) Ghosn recalled,

At the time, Nissan was in a desperate situation. The company’s share of the Japanese market had been steadily falling for 26 years. Financially, it had been in the red for seven of the eight years through 1999. Interest-bearing debt was more than 2 trillion yen (US$17 billion at current rates). Because of this, the release of new models had slowed almost to a stop.[[11]](#endnote-11)

Despite the predictions of doomsayers, profit margins improved within three years, and obligations to creditors were halved under the leadership of Ghosn.[[12]](#endnote-12) From chief operations officer (COO), Ghosn assumed the presidency in 2000 and the chief executive officer (CEO) position in 2001.[[13]](#endnote-13) The year after, Renault’s stake at Nissan increased to 44.4 per cent, while the latter gained a non-voting 15 per cent equity share of Renault. At this point, Renault-Nissan BV was formed to manage this alliance. In 2010, the stake of Renault in Nissan was lowered by 1 per cent.[[14]](#endnote-14)

The cross holding between Nissan and Renault allowed the two auto-manufacturing firms to operate separately, with different sets of boards, yet gain from manufacturing and distribution synergies.[[15]](#endnote-15) Further, the two firms shared in common their research into building electric, hybrid, and self-autonomous vehicles. That strong alliance brought forth even more conquests for the two companies, both together and alone. There was a venture with Germany-based Daimler AG, makers of the Mercedes Benz, Dongfeng Motor Group in China, and Russian automaker, AvtoVAZ. A proposed tie-up with General Motors in 2006 did not materialize.[[16]](#endnote-16)

Meanwhile, in 2015, the French government enacted the Florange Act, which effectively granted equity owners of two years or more double voting rights.[[17]](#endnote-17) The Renault board succeeded in limiting the rights of the French government, which owned 15 per cent of the company. Under a Restated Alliance Master Agreement, Nissan would be allowed to increase its holdings in Renault if the French government interfered in Nissan’s business decisions. The move served to protect the interests of Renault and Nissan and had the effect of further strengthening trust between the two companies.[[18]](#endnote-18)

In 2016, Nissan purchased a 34 per cent interest in financially troubled and scandal-riddled, Mitsubishi, and Nissan-Mitsubishi BV was formed the year after.[[19]](#endnote-19) Almost immediately, Mitsubishi improved financially, turning losses into profits, benefitting from the management expertise of Nissan-assigned executives and shared operations under the leadership of Ghosn, who was named chair of the Mitsubishi board in that year. The tripartite alliance produced and sold 10 million cars annually[[20]](#endnote-20) (see Exhibit 1 for the state of the relationship as of January 2019).

**Carlos Ghosn, the Celebrated Hero, at Nissan**

Ghosn’s entry into the automotive industry was fortuitous. Encouraged by his sister, Ghosn joined French tire maker Michelin soon after graduating from the École Polytechnique. He started from the factory floor, rose to become a plant manager, and then was assigned by the co-owner of the family business, to manage the company’s Brazilian plant. His successful turnaround of operations led to his assignment as CEO of the North American division. Again, Ghosn was able to revive the business by acquiring Uniroyal Goodrich in the 1990s.[[21]](#endnote-21)

In 1996, Ghosn was recruited by Renault. Realizing he would never assume the top position at Michelin—it being a family business—he moved to financially troubled Renault in 1996.[[22]](#endnote-22) He was appointed executive vice-president and, in that capacity, began to restructure the operations of the French carmaker, which had been suffering from the merger with Volvo. In the process of restructuring Renault, Ghosn gained the moniker of “Le Cost Killer” for his strategy of cutting costs. When Renault purchased a substantial stake in Nissan in 1999, Ghosn was assigned to revitalize the firm.[[23]](#endnote-23)

The rehabilitation of Nissan came in phases. The first phase was dubbed Nissan’s Revival Plan.[[24]](#endnote-24) At this time, the 43-year-old Ghosn was bold and determined. “I asked for trust and backed it up by saying that if we did not return to profit after a year, I would resign, as would my executive committee,” he had declared in front of Nissan employees.[[25]](#endnote-25) He formed cross-functional teams to identify solutions and then introduced changes that were considered un-Japanese. Instead of favouring seniority and lifelong employment, the new president of Nissan closed unprofitable plants and terminated the employment of 21,000 personnel.[[26]](#endnote-26) He then shifted to a merit-based system that disregarded age, gender, and nationality and brought in foreign managers—initially, about 30 executives from Renault, most of whom he handpicked. Ghosn also challenged the keiretsu and awarded contracts based on terms favourable to the company.[[27]](#endnote-27)

Nissan began to see some changes in profitability in the immediate years that followed, and Ghosn did not have to resign as he had promised to do if things did not work out. In 2001, Ghosn was named Nissan’s CEO.[[28]](#endnote-28) He then entered the second phase of the rehabilitation, referred to as the Nissan 180 plan. The Nissan 180 goals were to increase sales by one million units, increase operating margins by at least 8 per cent, and reduce interest-bearing debt to zero by 2015. The company achieved its one million sales goal[[29]](#endnote-29) (see Exhibit 2).

In 2005, Ghosn was appointed president and CEO of Renault, making him the first CEO to lead two Fortune 500 companies.[[30]](#endnote-30) As Renault CEO, he also became the default head of Renault-Nissan BV.[[31]](#endnote-31) The appointment required him to shuttle back and forth between France and Japan and resulted in him wearing different hats; however, Ghosn believed that it allowed him to strengthen the ties between the two firms.[[32]](#endnote-32)

Meanwhile, at Nissan, the company proceeded to enter its medium-term plan, called Nissan Value-Up. The two-year plan aimed at sustaining performance by further enhancing the company’s product line.[[33]](#endnote-33) This was followed by GT 2012, a five-year plan that focused on long-term performance through growth and trust. However, the plans were suspended due to the economic turmoil brought about by the bankruptcy of Lehman Brothers in 2008.[[34]](#endnote-34)

In response, Ghosn, who had become president, CEO, and chairperson of Nissan, declared the company in crisis and moved to a recovery plan. Belt-tightening moves were undertaken to conserve cash, including a reduction in managers’ salaries and the suspension of dividends[[35]](#endnote-35) (see Exhibit 3). However, one investment that Ghosn continued to pursue was the development of battery-powered vehicles. As a result, LEAF, the first mass produced electric car, was launched in 2010. By then, he was president, CEO, and chairperson of Renault as well.[[36]](#endnote-36)

The recovery of Nissan was interrupted by the March 2011 earthquake, which affected Nissan’s facilities, among others. Immediately after this event, Ghosn launched Nissan Power 88, the goal of which was to reach a sustained 8 per cent operating margin and attain an 8 per cent share in the global market.[[37]](#endnote-37) Nissan missed the mark on both targets, with only a 6.1 per cent global market share and a 6.9 per cent operating margin. It was reasoned that Nissan had been affected by unfavourable foreign exchange rates.[[38]](#endnote-38) This period saw mass replacements of key executives, including Toshiyuki Shiga, who was terminated as COO in 2013, when he was unable to shore up the sales of LEAF.[[39]](#endnote-39) Shiga, who had joined the company in 1976, was subsequently appointed to the board and served as vice-chair to Ghosn.[[40]](#endnote-40)

Despite missing these Power 88 goals, Nissan forged ahead and announced its M.O.V.E. 2022 midterm plan. The 2022 goal was to increase global revenues to ¥16.5 trillion, generate cumulative free cash flow of ¥2.5 trillion, and revive its original goal of 8 per cent sustained operating margin.[[41]](#endnote-41) The company intended to sell one million electric vehicles annually and to continue to introduce new technologies and products through its Nissan Intelligent Mobility strategy[[42]](#endnote-42) (see Exhibit 4).

**The Allegations and Charges Against Ghosn**

“If you have not been a villain at a certain point in time, you will never be a hero. And the day you are a hero, you may become a villain the next day.”[[43]](#endnote-43) Ghosn made this ominous comment when he discussed the Japanese comic book about him.

Ghosn’s success at Nissan made him a global celebrity. In 2003, *Fortune* magazine named him one of the most power people in business. He moved in political and social circles, hobnobbed with influential individuals in various governments, was interviewed and studied in business schools as an exemplar of good leadership. At the height of his fame, he averaged l1 speeches a month, spoke on global issues in symposiums such as the World Economic Forum, and even carried the Olympic torch during the last leg during the opening of the Olympic Games in Rio de Janeiro in 2016.[[44]](#endnote-44) A citizen of three countries—Lebanon, Brazil, and France—Ghosn was a jetsetter. He kept residences in each of these countries and others.[[45]](#endnote-45) There appeared to be no end to what this man who had attained a semi-godlike image[[46]](#endnote-46) could do.

From the rise came the fall. As Ghosn prepared to strengthen the current alliance of Renault, Nissan, and Mitsubishi, a report submitted by a whistle-blower—the result of months of covert internal investigation—gave rise to a number of problems.[[47]](#endnote-47) What began as a case of misrepresentation became elevated to a breach of trust. To progress, prosecutors needed to prove that “Ghosn violated his official duties, that he committed the transgression to enrich himself or a third party, and that the conduct financially harmed the company.” A lawyer opined that prosecutors aimed to prove that Ghosn had treated Nissan as his own.[[48]](#endnote-48)

The initial allegations stemmed from the Financial Instruments and Exchange Act that Japan’s Financial Services Agency had enacted in 2010, which compelled publicly listed firms to declare the compensation of executives who received at least ¥100 million.[[49]](#endnote-49) In the period April 2010 to March 2015, reports filed with the agency showed that Ghosn had received total compensation of roughly ¥5 billion. When Ghosn, then Nissan chairperson, was first arrested in November 19, 2018, it was alleged that he had underreported his annual income—already high by Japanese standards—by half. If convicted, Ghosn could have been sentenced up to 10 years in prison, fined ¥10 million, or both.[[50]](#endnote-50)

Ghosn was said to have been particular about his compensation. He had wanted to receive his compensation in US dollars, but Japanese law prohibited disbursement in foreign currency. Further, an executive compensation advisor stated that Ghosn did not believe he was adequately paid, based on international standards.[[51]](#endnote-51) A global consultancy, Willis Towers Watson, reported that Japanese executives earned only a tenth of those in the United States,[[52]](#endnote-52) or 20–30 per cent of levels in some European countries. The detained ex-chair claimed he had been offered CEO positions by four companies and knew his true market value. Despite the claimed underpayment, Ghosn was one of Japan’s top 10 highest-paid executives, not just for one year, but also for seven consecutive years.[[53]](#endnote-53)

The matter of compensation was a sensitive issue, not only at Nissan, but also at France-based Renault. It was reported that, in 2017 alone, Ghosn received ¥735 million from Nissan, ¥227 million from Mitsubishi, and ¥128 million from Renault.[[54]](#endnote-54) The year before, his contract with Renault was at risk due to compensation negotiations. With the backing of the French government, he had received a renewed contract up to 2022 after he agreed to cut his remuneration by 30 per cent. His goal was to cement the alliance, but to do so, he claimed he needed to chair all three companies.[[55]](#endnote-55)

In a potential case of embezzlement, under criminal law, or breach of contract, under corporate law, Japan’s prosecutors also alleged that Ghosn used company resources to fund family vacations and to finance the purchase, renovation, and maintenance of homes in Beirut and Rio de Janeiro, which he personally used.[[56]](#endnote-56) After a concern raised by company auditors, Ghosn considered re-purchasing the homes with personal funds, but nothing materialized. Regardless, prosecutors claimed that Ghosn, as a resident of Japan, should have reported the use of corporate property as part of his compensation.[[57]](#endnote-57)

Moving from the whistle blower’s report into their own investigation, prosecutors asserted that Ghosn transferred to Nissan personal losses he had incurred during the 2008 financial crisis.[[58]](#endnote-58) It appeared that Ghosn’s asset management company had insufficient collateral to cover the ¥1.85 billion paper loss when the yen appreciated during the crisis.[[59]](#endnote-59) It was then that Ghosn transferred the potential liability to Nissan. However, due to some resistance, and following notification by the Securities and Exchange Surveillance Commission,[[60]](#endnote-60) the contracts were returned to the asset management company.

Finally, it was alleged that the company had paid out consulting fees, supposedly for the management of charitable activities, amounting to tens of millions of yen, to Ghosn’s elder sister. Records did not appear to show the sister’s contribution to Nissan. This same sister was also said to be living in Nissan’s Brazilian property. In this regard, Nissan intended to file a case in Brazil against Ghosn and his sister for a supposedly fraudulent contract.[[61]](#endnote-61)

**Ghosn’s Defense**

On that fateful day in November 2018, Ghosn was escorted by Japanese authorities from his private plane, which had just landed in Haneda Airport, to a Tokyo detention cell.[[62]](#endnote-62) It was eight weeks before Ghosn was allowed to publicly defend himself. Confined in a sparsely furnished cell, he was allowed to speak only to his attorney and embassy officials.[[63]](#endnote-63) Even before his public appearance, Ghosn had already asserted that the allegations against him were false.[[64]](#endnote-64)

On January 8, 2019, Ghosn was given the opportunity to speak publicly before being brought back to his detention cell to await trial. The procedure required him to address only the court, without speaking to his lawyer or family.[[65]](#endnote-65) Due to the language barrier, the entire procedure took two hours—four times longer than usual. Nonetheless, Ghosn remained composed and addressed the various allegations.[[66]](#endnote-66)

First, he explained that there was no malice in the transfer of his contracts from his asset management corporation to Nissan. He indicated that this had been a temporary solution while he sought to find collateral needed to buffer the devaluation of the yen against the dollar.[[67]](#endnote-67) Further, he claimed Nissan did not incur financial losses, since the contract was returned to the asset management corporation.[[68]](#endnote-68) The foreign exchange contracts arose from his compensation in yen, even though most of his expenses were in dollars.[[69]](#endnote-69)

Ghosn averred that all his compensation from Nissan was disclosed[[70]](#endnote-70) and that any item not disclosed referred to hopeful, and not agreed upon, future payments.[[71]](#endnote-71) He had entrusted Greg Kelly with the legal management of his compensation, and though Ghosn maintained he was abreast of his market rate as a CEO (since he received offers from four major companies), his lawyer, Motonari Otsuru, former head of special investigations at the Tokyo Prosecutors’ Office, stated that the amount of compensation was undetermined. This was because it referred to retirement benefits, and Ghosn had sought the counsel of internal and external lawyers regarding his remuneration.[[72]](#endnote-72)

Throughout his speech, Ghosn reiterated his love for Nissan and Japan and enumerated all his positive contributions to both. He shared how Nissan’s performance had improved considerably under his leadership and how Nissan’s success also benefited Japan.[[73]](#endnote-73)

**Hiroto Saikawa, Chief Executive Officer (CEO) of Nissan**

When the alliance purchased a 34 per cent share in Mitsubishi with Ghosn as chairperson, Ghosn relinquished the Nissan CEO position to Hiroto Saikawa, a Japanese executive who had risen from within the ranks. He was seen as a “loyal right-hand man to Ghosn,” credited with negotiating a revised agreement with Nissan following the Florange Act. Saikawa served as co-CEO until he officially assumed the position in April 2017.[[74]](#endnote-74)

However, Ghosn was said to have been displeased with continued poor performance of the firm.[[75]](#endnote-75) In addition, during the leadership of Saikawa, Nissan had to recall 12 million vehicles due to improper inspection. It was believed that Ghosn distanced himself from the problem; instead of returning from a family vacation when informed of the scandal, he opted to stay in Western Japan with his family. Saikawa was left to take full responsibility.[[76]](#endnote-76)

Saikawa, on the other hand, was careful not to criticize Ghosn but did express surprise that the lapse in protocol was not discovered sooner, despite transparent operations instituted by Ghosn. Saikawa then agreed to return part of his salary, as did other senior executives, as atonement for the inspection scandal.[[77]](#endnote-77) This scandal haunted Nissan as another round of recalls, also for improper inspection, hit the company in December 2018.[[78]](#endnote-78)

In November 2018, it was Saikawa’s turn to distance himself from Ghosn when the latter was arrested, initially on the grounds of misrepresentation. In an official statement by Nissan, Saikawa relayed that he had immediately called for an internal investigation of Ghosn’s misconduct and, on this basis, called for the ouster of the chairperson and his trusted associate, Kelly, from the Nissan board.[[79]](#endnote-79) “Beyond being sorry I feel great disappointment, frustration, despair, indignation and resentment,” Saikawa was quoted as saying.[[80]](#endnote-80)

Informed of the covert investigation on Ghosn about a month before the arrest, Saikawa claimed that Nissan’s United States operations were a negative legacy of Ghosn due to declining profitability.[[81]](#endnote-81) In January 2019, Nissan announced the retrenchment of 700 workers in that United States, following the removal of 1,000 workers in Mexico.[[82]](#endnote-82)

Saikawa also made constant reference to the “dark side” of the Ghosn era, and was unsure whether Ghosn was “a charismatic figure or a tyrant.”[[83]](#endnote-83) He emphasized that the recovery of Nissan was attributable to many hardworking individuals rather than just one.[[84]](#endnote-84)

Notwithstanding these comments, Saikawa recommended that investigation should continue to include all other geographic areas of Nissan’s operations. He further contended that the three-way alliance undervalued Nissan shares, but the companies needed to collaborate to weather the Ghosn scandal.[[85]](#endnote-85) Nonetheless, he was adamantly opposed to permanently cementing the relationship between the three automakers and was vocal about reducing the control of Renault over Nissan.[[86]](#endnote-86) Ghosn, who was subsequently allowed to talk to the press after his prolonged detainment, believed the precise timing of his ouster had to do with his plans to further strengthen and cement the current alliance.[[87]](#endnote-87) However, Saikawa had earlier told media, in a news conference that followed Ghosn’s arrest, “Do not take this as a coup d’état.”[[88]](#endnote-88)

As the current CEO of Nissan, Saikawa seemed the most natural replacement for Ghosn as chairperson of the company.[[89]](#endnote-89) His failure to act as an independent leader did not work in his favour, however, and his signature did appear in documents with prosecutors on retirement compensation and non-compete agreements.[[90]](#endnote-90) However, to the surprise of many, Saikawa indicated in January 2019 that he would step down as CEO after instituting corporate governance reforms. The two-year term of all board directors ended in June 2019.[[91]](#endnote-91)

**Replacing Ghosn**

Of the three companies involved in the alliance, Mitsubishi was the first to make an announcement about Ghosn’s replacement. Days after Ghosn was arrested, the board of Mitsubishi unanimously removed Ghosn as chairperson and appointed its current CEO, Osamu Masuko, as acting chairperson.[[92]](#endnote-92) Renault was more circumspect, preferring not to fire Ghosn pending results of an investigation. Chief Operating Officer (COO) Thierry Bollore, who was being groomed to take over the CEO post in 2022, was appointed acting head on November 21, 2018 and was confirmed as CEO only on January 24, 2019, a day after Ghosn resigned from his post.[[93]](#endnote-93) Appointed on the same day as chair of the board was Jean-Dominique Senard, the largest shareholder of Renault, who was the first non-family CEO of Michelin.[[94]](#endnote-94)

Nissan’s board was in fact the first to fire Ghosn as chairperson, but the board had been unable to appoint his replacement during the November 22, 2018, board meeting. On December 17 2018, the board again met but failed to name a successor. It would appear that the committee of three outside directors, formed during the November board meeting, was unable to arrive at an acceptable replacement. They also could not agree to recommend Saikawa as provisional chairperson.[[95]](#endnote-95)

Replacing Ghosn on the Nissan board appeared critical. Before the ouster of Ghosn and Kelly, Nissan’s nine-member board had been composed of four foreigners and five Japanese citizens (see Exhibit 5). It was a good balance, considering the 43.4 per cent ownership of Renault in Nissan. Consequently, the preferred replacements of Renault were individuals from the French side. On the other hand, Nissan preferred a Japanese chairperson, coming from among of its current directors.[[96]](#endnote-96) The candidates identified were Saikawa, Executive Vice-President Hideyuki Sakamoto, and Director Toshiyuki Shiga.[[97]](#endnote-97)

Under the restated agreement between Renault and Nissan, the former was given the right to select Nissan’s top executives and therefore the replacement for Ghosn.[[98]](#endnote-98) Since the business decision would affect Nissan, the French government, which owned 15 per cent of Renault, was precluded from casting its vote. Should the French government interfere, Nissan had a unilateral right under Japanese law to increase its holdings in Renault to 25 per cent and cancel Renault’s voting rights altogether.[[99]](#endnote-99) This would render Renault’s investment unprotected.

After the December board meeting, Renault twice asked Nissan to hold a special shareholders’ meeting.[[100]](#endnote-100) The request was granted only after Renault announced permanent replacements for Ghosn as CEO and chairperson—both of whom committed to restoring “trust” within the alliance.[[101]](#endnote-101) Had Nissan not responded within eight weeks, Renault had the right, under Japanese law, to petition the courts to force a meeting. The special shareholders’ meeting to decide on the replacement for Ghosn or abolish the board chair post was scheduled for April 2019.[[102]](#endnote-102)

**The Future of the Nissan–Renault–Mitsubishi Alliance**

The almost 20-year-old alliance between Renault and Nissan was regarded as a great symbol of French and Japanese cooperation. Ghosn was expected to make an announcement in March 2019 regarding a more permanent alliance and this would have been a grand celebration.[[103]](#endnote-103) At less than 8 per cent of the market, the current business relationship between the three companies was already considered a leader in the automotive industry. Therefore, it would be difficult for both parties if each were to compete separately, since they would each be competing from weaker positions. For instance, the combined budget of about ¥800 billion for research and development would be greatly affected, considering Japanese rival, Toyota, worked with a ¥ trillion budget.[[104]](#endnote-104)

Both countries needed to ensure that the right replacement for Ghosn was selected to maintain the stability of the current relationship that had already included Mitsubishi.[[105]](#endnote-105) However, any action had to be taken immediately, as competitors wanted to get a lead in newer technology vehicles, which would upset Nissan’s long-term strategies captured in M.O.V.E. 2022.[[106]](#endnote-106) Google was already leading the field of autonomous driving.[[107]](#endnote-107)

Without Ghosn, considered the orchestrator of the current alliance, at the helm, distrust appeared to prevail.[[108]](#endnote-108) The French government had continually pressed Nissan to share information about the investigation, but the latter seemed hesitant, even if there was a commitment to do so in line with the alliance’s charter of transparency, trust, and mutual respect.[[109]](#endnote-109) Nissan had been giving summaries, but Renault was interested in a full report. Renault, like Nissan and Mitsubishi, had also been conducting its own investigations on compensation. Nissan and Mitsubishi aimed to recover compensation paid to Ghosn that was unauthorized by Nissan-Mitsubishi BV.[[110]](#endnote-110)

On January 25, 2019, Renault’s chair had his first official conversation with Saikawa, and together they agreed to rebuild a climate of trust and cooperation. Investors were pleased with this discussion, and stock prices went up 2.5 per cent at the Tokyo Stock Exchange and 4.9 per cent at the Paris Stock Exchange at the close of business hours.[[111]](#endnote-111)

**EXHIBIT 1: RENAULT–NISSAN–MITSUBISHI ALLIANCE as of January 2019**

French Government

Chair: Osamu Masuko temporarily replaced Ghosn November 2018

CEO: Osamu Masuko April 2017

Chair: No replacement

CEO: Saikawa replaced Ghosn

April 2017

15%

Chair: Senard

Replaced Ghosn

January 2019  
CEO: Bollore replaced Ghosn

January 2019

43.4%

34%

Mitsubishi Motors

Nissan Motor Co. Ltd.

Groupe Renault

15%

50%

50%

Nissan Mitsubishi BV

Renault Nissan BV

Source: Developed by author with data from Renault Nissan, *Alliance Facts & Figures 2017*, accessed January 27, 2019, https://global.nissannews.com/ja-JP/releases/infographic-renault-nissan-alliance-facts-and-figures-2017?source=nng; Nissan Motor Co., Ltd., *Financial Information as of March 31, 2018 (The English translation of the “Yukashoken-Houkokusho” for the year ended March 31, 2018)*, June 28, 2018, accessed January 27, 2019, www.nissan-global.com/EN/DOCUMENT/PDF/FR/2017/fr2017.pdf; “Renault Names Thierry Bollore CEO, Senard Chairman: Report,” ET Auto, January 24, 2019, accessed January 26, 2019, <https://auto.economictimes.indiatimes.com/news/passenger-vehicle/cars/renault-names-thierry-bollore-ceo-senard-chairman-report/67675206>; Sam Nussey and Makiko Yamazaki, “Mitsubishi Motors Ousts Ghosn as Chairman, Days after Nissan Firing,” Reuters, November 26, 2018, accessed January 26, 2019, www.reuters.com/article/us-nissan-ghosn/mitsubishi-motors-ousts-ghosn-as-chairman-days-after-nissan-firing-idUSKCN1NV051; “Hiroto Saikawa,” news release, Nissan News USA: Official Newsroom, April 2017, accessed January 27, 2019, <https://nissannews.com/en-US/nissan/usa/releases/hiroto-saikawa>; Natsuki Yamamoto and Rintaro Shimomura, “Ghosn’s Fall Clouds Outlook for Mitsubishi’s Recovery,” *Nikkei Asian Review*, November 27, 2018, accessed November 28, 2018, https://asia.nikkei.com/Business/Nissan-s-Ghosn-crisis/Ghosn-s-fall-clouds-outlook-for-Mitsubishi-s-recovery.

**EXHIBIT 2: NISSAN MOTOR CO. LTD. UNIT SALES, 1997–2018**

Source: Developed by author based on Nissan annual reports, accessed January 29, 2019, www.nissan-global.com/EN/IR/LIBRARY/AR/2018/.

**EXHIBIT 3: NISSAN MOTOR CO. LTD. Earnings and Dividends Per Share, 1993–2018 (in Yen)**

Source: Developed by author with data from Nissan annual reports, accessed January 29, 2019, www.nissan-global.com/EN/IR/LIBRARY/AR/2018/.

EXHIBIT 4: NISSAN MOTOR CO. LTD. SALES and PROFIT Trend, 1993–2019 (in million yen)

Source: Developed by author with data from Nissan annual reports, accessed January 29, 2019, www.nissan-global.com/EN/IR/LIBRARY/AR/2018/.

EXHIBIT 5: NISSAN MOTOR CO. LTD. Board Composition, 2018

NISSAN

RENAULT

Hiroto Saikawa, President and CEO

Hideyuki Sakamoto, Executive Vice-President

Toshiyuki Shiga, former Nissan executive

Carlos Ghosn (removed as Chair)

Greg Kelly (deposed)

Jean Baptiste Duzan, former Renault executive

EXTERNAL DIRECTORS

Bernard Rey, former Renault

Keiko Ihara, professional racecar driver

Masakazu Toyoda, formerly from Ministry of Economy, Trade, & Industry

Source: Created by case author based on data in Hans Greimel, “Even after Nissan Board Showdown, Ghosn May Keep Board Seat – For Now,” Automotive News Europe, November 21, 2018, accessed November 24, 2018, https://europe.autonews.com/article/20181121/COPY/311219921/even-after-nissan-board-showdown-ghosn-may-keep-director-seat-for-now.

EXHIBIT 6: NISSAN MOTOR CO. LTD. Closing Stock Price on Tokyo Stock Exchange, 2001–2019 (in yen)

Yen

Year

Source: Developed by author with historical stock price data from “Nissan Motor Co., Ltd. (7201.T),” Yahoo! Finance, accessed February 1, 2019, <https://finance.yahoo.com/quote/7201.T/history?period1=949420800&period2=1548950400&interval=1d&filter=history&frequency=1d>.

endnotes

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Nissan Motor Co. Ltd. or any of its employees. [↑](#endnote-ref-1)
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