Ghosn, Koizumi and structural reform

By JAY RAJASEKERA

Carlos Ghosn and Junichiro Koizumi are two well-known names in Japan. Ghosn, the CEO of Nissan, is famous for his rescue of the company from the brink of bankruptcy. Prime Minister Koizumi’s "trademark" is structural reform, which he promised in 2001 would lead to the creation of 5 million jobs within five years.

A powerful message delivered by Ghosn recently at Nissan headquarters to an audience of business-school students and academics prompted me to assess what happened at Nissan and how it applies to reform-minded Japan.

To pull Nissan out of crisis, Ghosn proposed the "Nissan Revival Plan." This blueprint included corporate reforms to reduce the company's huge debt, targets to achieve profits within three years and cost-cutting measures, including plant closings. What made Ghosn an icon in Japan was that he proved reform can work here and that crises can be overcome.

All that applied to Ghosn's efforts applies to what Koizumi must do if he is to lead Japan out of its crisis.

Ghosn says a leader must take three steps to address a crisis. The first step is to develop a vision, a strategy and confidence. The second step is to gain the cooperation of a support team, raise their morale and lead them to challenge goals with a sense of responsibility. The third step is to respect facts and accomplish real results. Leadership cannot be sustained if results cannot be achieved.

According to Ghosn's strategy, if the prime minister is to lead, he must have a vision. Let us take Koizumi's main vision, kozo kaikaku (structural reform). Those familiar with Japanese politics know that promises of structural reform fueled Koizumi's drive to become prime minister in 2001. Right after he was elected, a time when his popularity ratings set record highs, the name of the vision was changed -- perhaps by his close associates -- to Koizumi kaikaku (Koizumi reform). Then, when the economy was not responding to the prime minister's "shock therapy," it became happon kaikaku (drastic reform). Now, with the economy showing some signs of recovery, Koizumi has stated in a Diet policy speech that Keiza Kaikaku (economic reform) is the top priority.

The prime minister's meandering reform statements and inconsistencies lead one to believe that he has none of the essentials of Ghosn's first step for effective leadership: a vision, a strategy and confidence.

What about Ghosn's second step: gaining the cooperation of a support team? The Nissan CEO's executive vice presidents form his support team. It is interesting to note that 80 percent of Ghosn's original team is intact three years after he implemented his strategic plan. His associates -- to Koizumi kaikaku (Koizumi reform). Then, when the economy was not responding to the prime minister's "shock therapy," it became happon kaikaku (drastic reform). Now, with the economy showing some signs of recovery, Koizumi has stated in a Diet policy speech that Keiza Kaikaku (economic reform) is the top priority.

The prime minister's key team is the Cabinet. Since the Koizumi administration began 2 1/2 years ago, many Cabinet changes have taken place. Excluding the chief Cabinet secretary, only two Cabinet members still retain their original portfolios. In short, close to 90 percent of the Cabinet has changed. This rapid pace of change cannot boost the morale of Cabinet members, especially those who are trying to do a good job.

Now let us look at Ghosn's third step: accomplishing real results. From the very beginning, Ghosn set targets, stuck to them despite criticism and then accomplished them. The value of Nissan's shares has increased many times, its profits are the envy of the industry and its corporate debt has been eliminated.

In contrast, Koizumi stated in his most recent Diet policy speech that his "target is to create 3 million jobs over the next two years." This target also appeared in the Liberal Democratic Party's manifesto. Given Koizumi's past promise to create 5 million jobs in
five years, one could logically conclude that Koizumi had already created 2 million jobs. Unfortunately, this conclusion would be wrong.

In addition, Japan's economy has not really improved compared to when Koizumi assumed the premiership: The stock market is down 20 percent, national debt has climbed from 670 trillion yen to 680 trillion yen and small and medium-size companies are facing great financial difficulties. Given these facts, it is clear the prime minister fails Ghosn's third measure of effective leadership.

If reform is to succeed in Japan, strong leadership is a must. The prime minister and his successors would do well to study Ghosn's tenure at the helm of Nissan and establish the strong leadership needed to carry out reform.

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