THE GLOBAL LEADER

Global Strategy and Organization

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Ghosn/Nissan Issues

- Purchasing cost 12-15% > Renault
- Debt!!!!!!!!!!
- Slipping share
- Weak models (9 year stretch)
- Non-core assets
- Life-time complacency
- Functional silos
<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Production Volume (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors</td>
<td>7,922</td>
</tr>
<tr>
<td>Ford</td>
<td>6,655</td>
</tr>
<tr>
<td>Toyota</td>
<td>6,300</td>
</tr>
<tr>
<td>Renault-Nissan</td>
<td>5,033</td>
</tr>
<tr>
<td>Volkswagen Group</td>
<td>5,018</td>
</tr>
<tr>
<td>Daimler Chrysler</td>
<td>4,376</td>
</tr>
<tr>
<td>PSA</td>
<td>3,262</td>
</tr>
<tr>
<td>Honda</td>
<td>2,880</td>
</tr>
<tr>
<td>Hyundai + Kia</td>
<td>2,828</td>
</tr>
<tr>
<td>Nissan</td>
<td>2,690</td>
</tr>
<tr>
<td>Renault</td>
<td>2,343</td>
</tr>
<tr>
<td>Fiat</td>
<td>2,250</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>1,821</td>
</tr>
<tr>
<td>Suzuki-Maruti</td>
<td>1,670</td>
</tr>
<tr>
<td>BMW</td>
<td>1,090</td>
</tr>
<tr>
<td>Mazda</td>
<td>1,025</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,163</strong></td>
</tr>
</tbody>
</table>

Source: CCFA (estimates at 28 March 2003 for US and Japanese manufactures) in Renault (2003a)

Figure by MIT OpenCourseWare.
Global Scope of Auto Industry

<table>
<thead>
<tr>
<th></th>
<th>Direction</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Increase</td>
<td>Platform, CAD/CAM, Commoditization</td>
</tr>
<tr>
<td>B</td>
<td>Increase</td>
<td>Platform, Global purchasing, M&amp;A</td>
</tr>
<tr>
<td>C</td>
<td>No change</td>
<td>Interdependence on many industries</td>
</tr>
<tr>
<td>D</td>
<td>Strong</td>
<td>Environment regulation, Emission (CO2)</td>
</tr>
</tbody>
</table>

Figure by MIT OpenCourseWare, adapted from work of Shinji Ayuha.
Japanese Auto “Diamond”

Figure by MIT OpenCourseWare, adapted from work of Shinji Ayuha.
Ghosn’s Leadership

**Sensemaking**
3 months
refocus on respect for profit, customer, removal of barriers)

**Visioning**
Cars
$$
Pride

**Inventing**
CFTs
Identity in Global context
GI, LR

**Relating**
Everyone in, key across
Invention -- CFTs

• 3 months
• 10 members
• Clear quantitative goals
• Cross-functional

• Described in Ghosn HBR article
Cross-Company Teams (CCTs)

- Aimed at cross-company benefits
- Open sharing
- No JVs, separate legal entities
- Appropriate benefits thru crossholdings
Architecture: Global Integration / Local Responsiveness

Figure by MIT OpenCourseWare, adapted from work of Eng Ching Kooi.
Ghosn and Japanese Identity—SF 2006

Student responses removed due to copyright restrictions.
Global or Multi-cultural

- SF 2006
- Multicultural or Global Leadership?
  If you take a manager, educated in one country, make him traveling/working around the globe, he might become a global leader. CG case triggers the question if it is his multicultural background or the fact that he has been a "global" executive which is the key to his success (in Brazil, US and Europe before assuming a new position in Japan)...or simply both, multicultural and global
What is a Global Leader?

The Business Leader
- Capture the full benefits of integrated worldwide operations
- Strategist
- Architect of its worldwide asset and resource configuration
- Coordinator of transactions across national borders

The Country Leader
- To be sensitive and responsive to the local market
- Sensor and Interpreter of local opportunities and threats
- Builder of local resources, capabilities, and relationships
- Contributor to, and active participant in, global strategy

The Functional Leader
- To develop worldwide processes and enhance worldwide learning
- Scan for useful innovations in process, valuable information worldwide
- Cross-pollinate leading-edge knowledge and best practice
- Champion innovations that may offer transnational opportunities and applications

The Corporate Leader
- No single model for the global manager
- The Corporate Manager not only leads in the broadest sense; also identifies and develops talented business, country, and functional managers – and balances the negotiations among the three
Regional/Global Business Leader

Visioning
- Win-win from global reach

Sensemaking
- Global possibilities
- Local capabilities, and interests

Inventing
- Business models, architecture that “travels” yet has many “owners”

Relating
- Cross-border “brokerage, alignment, cajoling”
The Country Leader

Sensemaking
• Local ops, threats
• Local identity, drivers

Visioning
• Core role of country in global/regional enterprise
• Identity with country and global/regional firm

Inventing
• Rats ops (out), platform ops (in)

Relating
• Government, local stakeholders
• Everyone in local “family”
• Horizontal (other country) counterparts
• Key Vertical interactions
The Functional Leader

**Visioning**
- Value thru functional excellence

**Sensemaking**
- State of the art,
- hot spots within firm

**Relating**
- Champion of all members of “bench”
- Cross-pollinate
- Develop

**Inventing**
- Innovations that pass RATs
- Platforms
- Communities
Crossing Boundaries and the SLM

• Location-specific skills and knowledge, networks: for example --
  - Knowledge of business culture of a specific industry in a specific country (Sensemaking)
  - Networking skills within country (Relating)
• Border-crossing skills and knowledge: for example --
  - Knowledge of how to learn quickly in new contexts (Sensemaking)
  - Knowledge of how capabilities are/should be distributed across locations, networks across those locations (Sensemaking, visioning)
  - Knowledge/skills in linking complementary capabilities (inventing, relating)
  - Common sense re which must be standard, which can vary
  - (Sensemaking, inventing)
  - Knowledge of how to “translate” company vision/strategy into compelling local vision (visioning)
Developing Global Managers

• Recruitment – positive discrimination for international experience, interests
• Cross-border experience (short-term visits, short-term transfers, long-term postings)
• Training (training programs rotated around locations, including participants from multiple locations and roles)
• Cross-training: Rotation across positions, recognizing and building on personal networks (e.g. the engineer who understands a particular foreign customer and has networks into customer’s organization gets formal responsibility for relationship)
• $$ regardless of national origin
• Chance at top grades regardless of national origin

• Don’t confuse origin with international focus
## Frameworks—An Open System View

<table>
<thead>
<tr>
<th>Level</th>
<th>“Standard”</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Five forces</td>
<td>Globalization diamond</td>
</tr>
<tr>
<td>Country</td>
<td>Comparative advantage</td>
<td>Porter's diamond</td>
</tr>
<tr>
<td>Firm Across Countries</td>
<td>Value Chain</td>
<td>CAGE, RATs, Virtual diamond</td>
</tr>
<tr>
<td>Firm-market extension</td>
<td>Segmentation, Delta</td>
<td>RATs, CAGE, Adaptation, Aggregation</td>
</tr>
<tr>
<td>Firm-backend</td>
<td>Supply chain</td>
<td>CAGE, Arbitrage, Virtual Diamond/Platform, Ferdows’ Roles</td>
</tr>
<tr>
<td>Firm-organization</td>
<td>Grouping-Linking-Aligning</td>
<td>GI-LR, AAA</td>
</tr>
<tr>
<td>Leadership</td>
<td>SLM</td>
<td>Global SLM</td>
</tr>
</tbody>
</table>
Deep Dive

- Still awaiting BP confirmation of “respondent”
- Will be a bit shallower than originally planned
- BTC
- Web site by end of week
- Intro session after you return
- Presentations on April 4th
- Good to review over break, but concentrated work in early April.
That’s it Folks!

- Great discussions
- Insightful blogs
- Deft framework applications

- Sloan Fellows Program in Innovation and **Global** Leadership