



THE LEADERSHIP OF CARLOS GHOSN: THE RISE AND FALL OF A LEADER

A LIDERANÇA DE CARLOS GHOSN: A ASCENSÃO E A QUEDA DE UM LÍDER

EL LIDERAZGO DE CARLOS GHOSN: EL ASCENSO Y CAÍDA DE UN LÍDER

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Abstract

Brazilian-born Carlos Ghosn was Chairman and CEO of the Renault-Nissan-Mitsubishi Alliance. Touted as a “leader without borders” and “quintessential global executive,” Nissan made him a national hero. Considered the ‘Jack Welch’ of the automobile industry, Ghosn, an example of moral leadership, was arrested in 2018, indicted on charges of underreporting his earnings from Nissan to Japanese authorities, and accused of crimes ranging from forgery to redirecting Nissan’s money for personal use. This paper follows the rise and fall of Carlos Ghosn’s leadership.

Keywords: Nissan; World leadership; Management.

Resumo

O brasileiro Carlos Ghosn foi presidente e CEO da Aliança Renault-Nissan-Mitsubishi. Apresentado como um “líder sem fronteiras” e “executivo global por excelência”, a Nissan fez dele um herói nacional. Considerado o 'Jack Welch' da indústria automobilística, Ghosn, um exemplo de liderança moral, foi preso em 2018, acusado de subnotificar seus ganhos da Nissan para as autoridades japonesas e acusado de crimes que vão desde falsificação até redirecionamento de dinheiro da Nissan para uso pessoal. Este artigo acompanha a ascensão e queda da liderança de Carlos Ghosn.

Palavras-chave: Nissan; Liderança mundial; Gestão.

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Resumen

El brasileño Carlos Ghosn fue presidente y director ejecutivo de la Alianza Renault-Nissan-Mitsubishi. Considerado como un "líder sin fronteras" y "un ejecutivo global por excelencia", Nissan lo convirtió en un héroe nacional. Considerado el 'Jack Welch' de la industria automotriz, Ghosn, un ejemplo de liderazgo moral, fue arrestado en 2018, acusado de no reportar sus ganancias de Nissan a las autoridades japonesas y acusado de delitos que van desde la falsificación hasta redirigir el dinero de Nissan para personas de uso. Este artículo sigue el ascenso y la caída del liderazgo de Carlos Ghosn.

Palabras-Clave: Nissan; Liderazgo mundial; Gestión.

1. Introduction

Global leaders have the daunting task of serving as role models, not only to the nations they represent but to the whole world. Large numbers of followers closely watch their decisions, business practices, and conduct. Values such as goodness and truth are essential for developing our character. According to Linzey & Pierce (2015) those values are universal moral laws along with courage, beauty, and justice. The authors explain that those core values determine conduct, which is closely related to leadership. Solinger, Jansen & Cornelissen (2020) affirm that ethical leaders are portrayed as fair and honest, are seen as role models by their followers, act as moral persons and moral managers. Leaders who are role models to their followers face a daily challenge to keep their integrity and moral leadership unshaken. Caldwell (2012), states that “leaders who are perceived as moral earn the trust of others and are more effective in earning a high commitment from followers” (p. 1). The struggle to be influential leaders is evident. Johnson (2015) describes, “moral leaders lay the foundation for collective trust by acting in a trustworthy manner. They demonstrate

character traits... they also communicate a clear sense of mission and vision, foster an atmosphere that encourages openness and sharing” (p. 337). It is a daunting task for leaders to be fully aware of their moral values, ethics, and how their leadership influences others. The concept of right and wrong may vary from individual to individual; nevertheless, leaders must understand their acts’ impact and the perception followers have of their ethical behavior.

Doorman (2009) highlights some qualities global leaders should have, such as excellent education and language skills. Osland et al. (2019) affirm that today’s global leaders have to deal with a complex world with constantly changing scenarios and be prepared to navigate the unfamiliar waters of the global economy. From a successful CEO, the cover of countless business magazines to a fugitive wanted by Japanese authorities, it took Carlos Ghosn (the Arabic pronunciation is “guh-sun”) 20 years to reach the apex of his career and only a few months to lose it (Campbell et al., 2019). Ghosn had been the architect, theoretician, and chief executive (Levin, 2019) of a radical restructuring at Nissan



that awarded him as Asia's CEO of the year in 2001 by Fortune Magazine (Stahl, Ghosn, & Brannen, 2013). His unique

2. Ghosn's role as a Leader

Carlos Ghosn's career involved several remarkable leadership opportunities: Michelin Brazil, Michelin North America, Renault, Nissan, and Renault-Nissan-Mitsubishi alliance. But no story is more dramatic or exemplary of his approach to change management than his tenure at Nissan (Spector, 2013). Carlos was born in Brazil in 1952 to a French mother and Lebanese father. At the age of six, he moved to Lebanon to attend a French Jesuit school. He then moved to Paris and earned engineering degrees from École Polytechnique and the École des Mines De Paris (Stahl, Ghosn, & Brannen, 2013). Representatives from Michelin, a privately held French tire company, approached Ghosn in March 1978 while he was still a student. They were looking for French-educated engineers who could speak Portuguese to help them build a market in Brazil. Before joining Renault, Ghosn accepted their offer and worked his way through several positions in France, South America, and the United States (Spector, 2013).

Ghosn is a multicultural global leader. Born in Brazil and educated in Lebanon and Paris, he speaks five languages (Levin, 2019). His remarkable background made him a leader with unique perspectives and enabled him not to fear change. When in 1999, the French automobile giant Renault asked Ghosn to lead the acquisition of a large stake of Japanese Nissan, he immediately realized that the two cultures were too different to meld. According to Levin (2019),

accomplishment made the Renault-Nissan alliance a competitive and profitable global business.

“Nissan's Japanese business practices - lifetime employment, promotion by seniority, loyalty to longtime suppliers - were obsolete and had to be scrapped” (p. 82).

It is important to highlight some of the leadership and management principles Ghosn adopted to achieve efficiency in his tenure. Effective leadership is about stimulating an organization's employees for transformation, creating new directions, and establishing a process that will convert such devotedness into action (Spector, 2013). Successful leadership change involves a collaborative partnership with authoritative leaders and employees at different organizational levels that participate in the practice of shared leadership change (Spector, 2013). The author states that this process aims to increase the probability that change will produce results that will profit the entire organization. Leading change is the responsibility of individuals who desire change in specific departments of a corporation to advance an organization or institution. “It is said that if you are not leading change, you are not leading.” If the leader of an organization does their job right, leading is much easier than most traditional leadership styles (Foster, 2016).

Open leaders are catalysts (leaders who get a decentralized organization going while relinquishing control to their members). One of the attributes of a catalyst leader is their explicit trust in the organization's members. Foster (2016) explains that “the most important role of the



leader of an open organization is to empower employees and set the direction of the organization” (p. 101).

Ghosn created a revival plan of telling the truth and establishing the facts of a situation. Those were to be the hallmarks of Ghosn’s approach. As CEO of Renault and Nissan, two global companies, he empowered his followers to make decisions at departmental levels, giving him more time to work on important things to the organization’s overall success, rather than getting down in the daily minutia (Foster,

2016). He was surprised by Nissan’s employees’ quick acceptance and participation in the management process change (Millikin, 2005). Yet, according to Millikin (2005), “an organization can only be effective if followers believe that what the leaders think, say, and do are all the same thing” (p. 128). In the end, Nissan achieved the result promised a full year ahead of time, and Ghosn became the president and CEO of Nissan in 2001.

3. Ghosn at Renault and Nissan

In October 1996, Ghosn joined Renault when CEO Louis Schweitzer offered him the number-two position (with potential succession to the top position). Ghosn had already developed a philosophy of change leadership at Michelin based on three premises: assume nothing (find answers within the company), work fast, and earn trust and respect with strong results (Spector, 2013). While working at Renault, Ghosn’s early analysis led him to conclude that the company culture emphasized narrow, functionally based thinking at the expense of a larger strategic view.

The culture of an organization determines the productivity of the organization. Ghosn recognized that Renault’s culture was an issue, so relying on cross-functional teams, he came up with a plan to reduce costs by \$4 billion in three years. His plan, which included closing Renault’s plant in Vilvoorde, Belgium, with its 3500 jobs, earned him the lasting nickname: “le cost killer” (Spector, 2013). It helped with the overall culture of the organization. By using cross-functional teams, everyone was involved in the

decision-making process. Decisions are made in groups by the people who are most involved in the daily process of developing code. Organizational behaviors are fractioned, and they are quick to point out that they do not have employees or remote workers- but a distributed workforce (Foster, 2016). Ghosn returned Renault to profitability in 1997.

Upon arrival in Japan, Ghosn announced that his goal was not to advance Renault’s interests but rather “to do everything in my power to Nissan back to profitability at the earliest date possible and revive it as a highly attractive company” (Spector, 2013). Right away, Ghosn knew what his challenge would be to save the business without losing the company. He went back to what he knows best, cross-functional teams. The very definition of an open organization calls for collaboration throughout the organization and its decision-making process. An open organization presupposes the presence of a high level of trust, honesty, openness, and respect (Foster, 2016). Ghosn also focused on early diagnosis.



Between April and late June 1999, Ghosn toured Nissan's plants, subsidiaries, and dealerships in Japan, the United States, Europe, and Taiwan. He had learned from his experience at Michelin to start change without any preconceived ideas (Spector, 2013). Ghosn had to prepare himself and the people that worked alongside him. There are two basic kinds of preparation for the leader: institutional and personal. The institutional preparation will vary from organization to organization, but generally, these are the kind of things you put in the "contingency" section of the strategic plan (Forster, 2016). Part of a servant leader's evolution is personal preparations in working to maintain the same attributes and characteristics in every situation. And how can you do that? How can you remain present, fully there, and deal with all the frustrations, stress, and, yes, fear inherent in times of crisis? (Autry, 2001). Ghosn's diagnosis tour built a good deal of hope and high expectations.

4. The Global Leader Falls

In 2017 Carlos Ghosn's annual salary was 16.9 million dollars, the second-best paid auto executive, number two to General Motors's Mary Barra (Levin, 2019). He described himself as the only person capable of managing one of the world's largest automotive groups throughout his career. Despite his remarkable career, Ghosn saw his power disappear overnight when he was arrested in November 2018. Renault executives turned their backs on him, while the Japanese executives at Nissan wanted him in jail at all cost. Campbell et al. (2019) mention that the last time a CEO of comparable reputation went to jail was during the prosecutions of the Enron case

To enrich the diagnosis and specify action plans, Ghosn pulled together nine cross-functional teams to examine all aspects of the business operation: from business development to manufacturing and logistics to supplier relationships to organizational structure (Spector, 2013). In the context of organizational structure and leadership, an organization with open tendencies believes that it can actively influence the market, select between different alternatives, and draw up plans that fulfill the organization's stakeholders (Stahl, Ghosn, & Brannen, 2013). Quickly, Ghosn's management was perceived as transparent among all company levels, which he attributed to his respect in protecting Nissan's identity (Millikin, 2005). Telling the truth and establishing the facts of a situation were the hallmarks of Ghosn's approach.

back in the early 2000s: "it's practically unprecedented, in this era of winner-take-all capitalism, for someone who's reached the top to fall so precipitously" (p.51).

Jeong (2020), a writer of Vanity Fair magazine, explains:

Ghosn stood accused of a staggering range of financial crimes, including underreporting \$80 million in earnings over an eight-year period, shifting more than \$16 million in personal losses onto company books, and using an elaborate chain of shell companies to bill Nissan for his lavish lifestyle. His mansion in Beirut, according to



Nissan, had been purchased and renovated with nearly \$15 million in company funds. Ghosn meanwhile insisted that the charges against him were part of a corporate “plot,” aided by Japanese authorities, to oust him from Nissan (p. 2)

Ghosn claims innocence and has been trying to prove Nissan’s executives have plotted against him. The prosecution in Japan has a conviction rate of 99.4% (Dooley, 2020). Recently released e-mails reveal Nissan’s executive Hari Nada’s intention to neutralize Ghosn before it was too late. Also, messages reveal Nada’s deals with Japanese prosecutors to witness against Ghosn. It seems that the former CEO’s intention to amplify the integration between Renault and Nissan was something the Japanese executives did not want to happen (Fagundes, 2020).

Ghosn, who was being held in a modest house in Japan, was allowed to have short walks, meet his lawyers, and carry a flip phone. However, he was not allowed to use a computer and a video camera in front of his house made it hard for him to be unnoticed. Also, he was followed everywhere by men in dark clothes who watched all his steps, even if he went to a restaurant for a meal. Despite all that, Ghosn managed to escape to Lebanon at the end of 2019 in what was considered a spectacular cinematic action. An American citizen, former Green Beret, Michael Taylor, and his son created an escape plan only Hollywood writers would dream of. Taylor had been contacted by a Lebanese friend in the spring of 2019 who asked him to help Carlos Ghosn flee from Japan. After intense conversation and months of

planning, Taylor, also a former Special Forces military, brought together a team of experts (most ex-Special Forces) to help them in this mission.

Long story short, according to an interview Taylor gave Vanity Fair magazine (Jeong, 2020), Ghosn was able to escape hidden in a black plywood box used to transport loudspeakers that apparently Japanese officials failed to X-ray. They managed to take him to the airport and flew him to Istanbul in Turkey on a chartered flight and went from there to Lebanon that does not have an extradition treaty with Japan. Once in his home in Lebanon (he is also a Lebanese citizen besides his Brazilian and French citizenship) and protected by local authorities, he released the following statement to the press (Fagundes, 2020):

I am now in Lebanon and will no longer be held hostage by a rigged Japanese justice system where guilt is presumed, discrimination is rampant, and basic human rights are denied, in flagrant disregard of Japan’s legal obligations under international law and treaties it is bound to uphold. I have not fled justice – I have escaped injustice and political persecution. I can now finally communicate freely with the media. (p. 01)



5. Conclusions

Rosenbaum et al. (2012) raises the question of why some developing leaders pursue harmful and unethical actions. The authors suggest that monetary rewards are a temptation that many leaders face and many fall. According to Rhode (2016), “moral leadership is more than avoiding ethical wrongdoing; it is about making a positive difference in others’ lives and in our communities” (p.56). Ghosn was a successful, admired leader in charge of Nissan’s organizational culture change. People from all different walks of life get together in one mission, embrace one vision, and share the same core values within an organization. The leader’s challenge is to help these people embody those values, grab their attention, and manage their emotions (McGill & Tichy, 2003). Some individuals may resist adapting to an organizational culture whose core values are very different from their own. In that case, the role of the leader becomes fundamental in creating an interactive and engaging learning process, debating dilemmas, and sharing experiences (McGill & Tichy, 2003). Carlos Ghosn was that fundamental global leader the company needed, at the right time, at the right place.

Despite his allegations of innocence, and evidence that supports his claims, his morale has been shaken, and at least for now, his image as a global leader has been shattered. The executive that changed Nissan’s history from bankruptcy to one of the most powerful automotive industries in the world with his innovative leadership, Carlos, was a landmark in the market. He put into practice fundamental and effective leadership concepts through his knowledge, useful resources, sharing of ideas, generational and cultural boundaries (Forster, 2016). Ghosn, known as a very

demanding person, developed successful strategies, aligning his experience at Michelin with bold moves and a bold leadership style. He brought Nissan back to life and was doing the same for Mitsubishi. Strategic thinker Ghosn achieved the unthinkable. According to Levin (2019), he did what skeptics at the time analogized as “tying two rocks together to make them float” (p. 82). Of course, the skeptics were wrong. Ghosn’s organizational strategies set an example for current and future leaders to think outside the box and do not fear the unknown and the impossible.

What could have gone wrong? Could power have corrupted the remarkable leader? Rhode (1996) explains that some individuals with power end up abusing it. However, before his arrest, Ghosn had always been portrayed as a good leader with a positive influence on his followers. According to Robbins and Judge (2013), leadership is “the ability to influence a group towards the achievement of a vision or set of goals” (p. 368). Competent leaders can guide their followers and answer their questions. They inspire trust and faith in their decisions. People will not follow and seek guidance from someone who is perceived as dishonest or who lacks integrity. Individuals become leaders based on the skills and abilities that they develop and the strength and core values that come from their potential. Ghosn had an undeniable potential as a leader and role model to his followers. However, his practices led him to a path where his trust would hardly be recovered.

Campbell et al (2019) mention that after the scandal, dozens of people, who didn’t want to be identified spoke to Bloomberg Businessweek about Carlos



Ghosn's management: "they painted a picture of a gifted but bloodless manager who accumulated remarkably few true friends as he built a corporate empire against formidable odds" (p.51). Japanese officials are still focused on pursuing the former CEO of Nissan. The company's executives have spared no expense in

attempts to take extradite Ghosn to Japan. Quoting Campbel et al. (2020) in the article Carlos Ghosn's Great Escape: "Ghosn's clandestine escape from Japan is worthy of a Hollywood script. But his battle to salvage his legacy - from the safety of his native Lebanon—is far from over (p.12)."

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