

Nissan Motor and Intel: Important Management Lessons of Carlos Ghosn and Gordon Moore

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Abstract

This is a peak at Carlos Ghosn, former CEO of Nissan Motor Corporation, and Gordon Moore, the co-founder and former CEO of Intel Corporation, who have been recognized as the most prominent and successful managers today. Under Ghosn's management, Nissan became one of the world's largest manufacturers in the automotive industry. Under Moore's strategic leadership, Intel also became one of the largest manufacturers of computer chips in the world. Now, Nissan and Intel are also the most admired companies in North America and the most profitable companies on the "Fortune 500" list. The first purpose of this study is to decode Carlos Ghosn's mysterious method for implementing organizational knowledge. Second, we aim to show why and how Gordon Moore coined the phrase strategic turning point. Moore argued that all rules would change at the strategic turning point. This study presents key insights for management scholars and practitioners to understand why Ghosn and Moore owed most of their victories at Nissan and Intel to their magic management practices and strategies. In this way, we have identified the DNA of Ghosn's knowledge management method and Moore's strategic turning point which contain an important story for CEOs and management scholars worldwide. These findings come from our case study on Intel and also our consulting-based reflections in Nissan in Australia and the US.

Keywords: *Knowledge Management, Case Study, Strategic Turning Point, Management Consulting, Intel, Nissan;*

1. Introduction

In the first section of this article, we deeply analyze Carlos Ghosn's knowledge management method. Carlos Ghosn, born on March 9, 1954, is a businessman and former automotive executive, widely known for having dramatically fled house arrest in 2019 in Japan while awaiting trial on financial impropriety charges related to his tenure at Nissan when he was released from prison. However, with this financial scandal that followed Carlos's tenure at Nissan Motor Company, each company he has worked for, such as Michelin South America, Michelin North America, Renault, and Nissan, has been a great lesson in management and leadership. For example, Nissan Motor Corporation, under the knowledge management method of Carlos Ghosn, became one of the most successful automotive manufacturers in the world. This company is now one of the most admired Japanese companies in America and one of the most profitable companies on the "Fortune 500" list. In this study, we identify the key components of Carlos Ghosn's method for implementing knowledge management which can contain key points for knowledge management consultants and practitioners across the globe. Decoding this unique method, which is also easy to understand and implement for knowledge management consultants and practitioners, comes from our direct observations and knowledge management consulting work with Nissan headquarters in Adelaide, Melbourne, and Los Angeles.

In the second section of the article, we recount the experience of Gordon Moore's victories and failures to show how this industry leader managed threats and even turned them into great opportunities at Intel. Gordon Moore considered the strategic turning point and added tremendous value to the concept of strategic leadership. He believed that the first responsibility of a manager is to protect his economic enterprise against the threat of competitors. Moore presents his view of the strategic turning point for any company that is considering transformation of some kind. The transformation can be a success or failure depending on the strategic turning points in the process (Burgelman, 1994; Emmerij, 2007; Cummings, 2015; Kristóf, 2024). In his opinion, the strategic turning point may be caused by competition, or it could be created by leaders of the organization to instill motivation, teamwork, and even better strategic management. Toshiba, as one of the Japanese giants of computer memory makers, placed Intel Corporation at a strategic turning point (Burgelman, 1991; Barsky & Tkacs, 2017; Jiang et al., 2023). Intel was forced to stop making memory chips and move to make microprocessors. This technology narrowed the field for traditional mainframe manufacturers. Moore argued that Intel is wallowing in an industry transformation in technology. The rapidly increased impact of laws and regulations placed Intel Corporation in a star position as opposed to the cash cow framework before the strategic inflection point.

2. The First Section: Carlos Ghosn and Knowledge Management at Nissan

In 1999, it was said that Nissan Corporation would become one of the most powerful and best car manufacturers within a few years. This statement was ignored at that time. Survival was possible; In the middle, maybe; But it was not possible to achieve such unprecedented profits and produce cars that would get the best awards for the company. But despite these predictions, Nissan became one of the leaders of the world's industries. The four main factors that caused this to happen were:

- More income (by selling more cars)
- Less costs (reduction of costs by 15% over several years)

- More quality and speed
- Maximum alliance with Renault

If you want to know how Ghosn developed Nissan and made it more profitable, you will find all the answers in his unique method for implementing knowledge management. Ghosn changed the minds of people inside the Nissan organization forever. He did this with awareness and initiative. Carlos Ghosn was not a leader who used his superior position as a tool to force people to obey him and rule over them, on the contrary, he came to the field by relying on the facts and intelligence he had in conversations with people.

Ghosn's unique method for implementing knowledge management processes included simplicity, commitment, and aspiration (Manzoni et al., 2003; Melewar et al., 2008; Snyder, 2014). This method of knowledge management implementation, which our consulting experience with Nissan in Australia and the US also explains how has now infiltrated Nissan employees around the world, can be summarized as:

- Set big but achievable goals
- Makes the role and level of responsibility clear to everyone
- Be quick but be efficient
- Examine the growth and progress of work
- Evaluate work results based on reality

Simplicity for Knowledge Transference: The challenges that Nissan faced before Carlos Ghosn in making fundamental changes were very complex. Things like: a multi-cultural organizational alliance, inter-organizational teams with members who spoke different languages, and car production, purchase, and design plans that were not simple. To overcome these challenges and failures, Ghosn, first, considered "listening" an important factor in facilitating the knowledge transference process, aiming at preparing for change and implementing knowledge management and corporate success (Manzoniet al., 2003; Snyder, 2014). He taught employees and managers at Nissan to learn from anyone who had valid information to help Nissan and the alliance between Renault and Nissan. In our recent knowledge management consulting project in Nissan in Australia and the US in Adelaide, Melbourne and Los Angeles, we have also interestingly seen that employees and managers at Nissan now clarify and simplify complex matters for those around them, and in every meeting, they usually look for a point that everyone can agree upon.

Aspiration for Knowledge Creation: In Carlos Ghosn's knowledge management development method at Nissan, the next important component was "aspiration" (Yoshino, 2003; Millikin & Fu, 2005). Nissan has effectively been changed and innovated because managers give power and authority to employees at all levels by gathering information and creating inter-working teams (Blyton & Turnbull, 1998; Lee & Chen, 2022). Still, our observations at Nissan in Australia and the US show us big decisions for strategic changes are always made by ambitious leaders in the CEO's office.

Commitment for Knowledge Utilization: Commitment to utilizing new knowledge has certainly been a part of large and small actions and activities of companies to sustain changes. However, we have consulted over 200 companies across the globe, and we have experienced

that no corporation uses this concept as extensively and efficiently as Nissan. For example, in our knowledge management consulting project with Nissan in Australia and the US, we found that in the dictionary of Ghosn's Nissan, it is said that this word:

A commitment is a goal that must be fulfilled. The goal that must be implemented is shown with numerical values and a commitment is made. When this commitment is given, it must be achieved (Kostov & McLain 2022).

The following figure depicts this knowledge management method triad of Nissan.

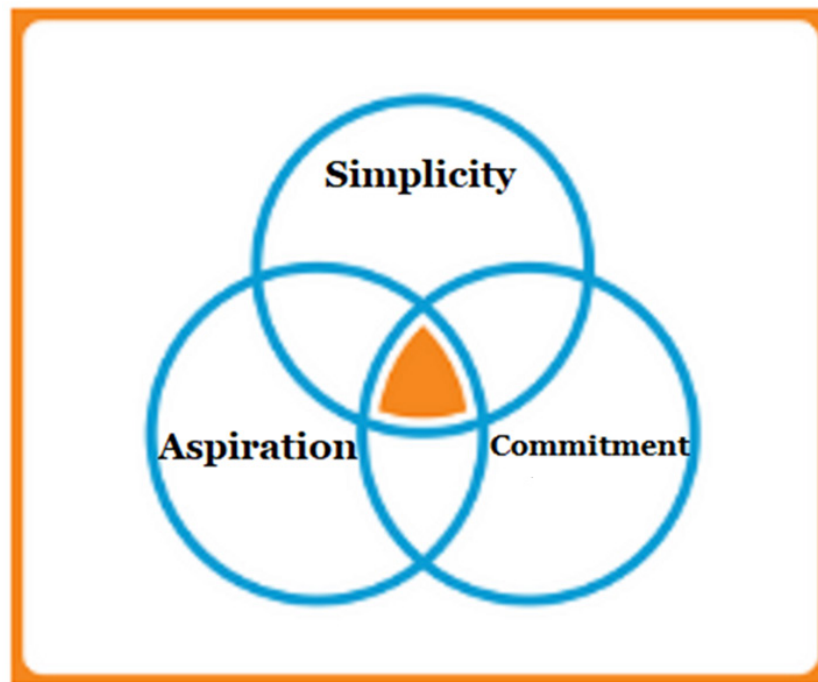


Figure 1: The Knowledge Management Method Triad of Nissan

2.1 The Impacts of Ghosn's Knowledge Management Method at Nissan

With the help of each other, Nissan employees dismantled the existing physical and cultural barriers from Europe to Asia and North America with a new spirit and an attitude of harmony and integration. The result of the work was a different company with a centrality in Japan, which contained the true meaning and concept of globalization (White, 2004; Haak & Pudenko, 2005; Birkinshaw et al., 2011). Ghosn intended to effectively manage organizational knowledge to revive and develop Nissan, but he achieved something more than that. Now, new cars are also designed with the best ideas from different regions in a collaborative way. Communication plans are prepared with a commercial brand and an identity. Plans related to human resources are integrated and centralized and represent organizational standards, not regional ones.

3. The Second Section: Gordon Moore and the Myth of Intel's Strategic Turning Point

At the beginning of the computer industry, it was established in the vertical method (Dochy et al., 1999; Alsultanny, 2010). In this way, every computer company treated others like the owner of a row of houses on the street (Timothy, 2005). All the sellers would be found and

would offer a complete computer package to a potential buyer. The potential buyer also had all the technology at his disposal, without having the right to choose other people's products. A major shortcoming was that customers had to rely on the seller company for a long time after choosing the first one. The vertical method continued for a decade. After that, microprocessors arrived, and the construction of a personal computer based on this technology created a tenfold transformative force.

With the placement of microprocessors in the computer industry, the costs decreased dramatically and made the personal computer a suitable tool for work in the office and at home. Over time, this transformation also cast a shadow over the entire industry and made it horizontal. In the horizontal method, no company owned everything. The customer got the right to choose and buy different parts of the computer and several ready-made application software from different manufacturers and stores. Therefore, since the 1980s, the computer supply process has changed from vertical to horizontal. First, personal computers, then large, shared computers, and finally the entire industry became horizontal. Since the last years of this decade, large companies that worked in a vertical method were also forced to reduce their workforce and rebuild their organizational structure, and at the same time, new actors entered the field (Frone & Blais, 2020; Torgaloz et al., 2023). With the progress of this relocation process, the companies that were victorious in the old vertical system gradually faced failures. On the other hand, this transformation provided a great opportunity for some newcomers to excel, and Compaq was accordingly placed on top of the "Fortune 500" list.

3.1 Intel's Strategic Turning Point and Its Important Lessons

Over time, Intel took the leadership of the microprocessor market and Microsoft took the leadership of the operating system market. Five critical laws could be a strong reflection of a strategic turning point for all organizations:

- Follow the Boston Consulting Group market share and product performance model and be honest about your product's placement along those parameters.
- In the hyper-competitive world, only the emergence of new and outstanding technology will provide key opportunities.
- Push-pull pricing will only work if demand and supply are in your favor.
- Inertia drives up costs, be relentless in keeping costs down.
- Be relentless in keeping costs down.

In the early 1980s, Japanese memory makers entered this field and seized the semiconductor market in one decade. Intel decided to raise the quality and reduce costs. In 1981, Intel's second product, the microprocessor, was used in the personal computer manufactured by IBM (Zhang et al., 2024). Intel established several new factories in strategic locations. By the fall of 1984, everything changed, and with intense competition from high-quality, cheap, and mass-produced products in Japan, Intel lost for a long time in the memory chip field. Because of this really big failure, Intel was losing its revenues to the competition.

Leading a company through a strategic inflection point is like marching in unknown territory. On occasion, the rules of business are unfamiliar or not yet formed. Organizations must work hard to overcome this stage. For example, Gordon Moore expressed that:

When we chose and advertised the slogan “Intel, the microprocessor manufacturer” in 1986, we wanted to show that we planned to be number one in the industry (Malone, 2014).

Peter Drucker once argued that a key activity is the complete transfer of resources from previous businesses to new businesses including the organization’s ideas (Maciariello, 2018). Human capital including ideas, knowledge, skills, and experience was placed at the forefront of Intel’s success (Diez, 2014; Shipton et al., 2016; Rafique et al., 2024). Gordon Moore allocated resources to build the corporate culture by moving resources to achieve strategic goals. From his point of view, corporate strategy is formed from such key actions instead of following traditional methods. Traditional strategic planning is less consistent with the real world of the organization. Strategic actions are the steps that Intel has taken and indicate their long-term desire and goal which is based upon intangible capital such as human capital.

Reaching the strategic turning point provides visible and effective strategic actions (Watson, 2003; Rusko, 2014). Managers can react on time or earlier to increase positive and lasting actions. Doing the right thing and pursuing a strategic goal is very difficult but Moore led the organization with a clear and simple, strategic direction.

To apply engineering principles in the work, Frederick Taylor once talked about the best way to lead and manage (Taylor, 1997), and many organizations still espouse these beliefs today. However, it is not easy to get people to think about the best way unless they see a clear and attractive path for them. Today, we are faced with an unclear future, yet people are expected to accept new and unprecedented missions together and work hard in an uncertain environment. Continuous improvement is very important as organizations attempt to secure their future. Senior leaders find it difficult to have direct contact with their employees and giving speeches to individuals, groups, and departments can help improve strategic initiatives. Intel showed adaptive behavior to continuously improve (Johnston, 2015). Any organization like Intel that has a dynamic culture and can deal with constructive discussion while controlling disturbances is a capable and adaptable organization.

4. Conclusion

In the first section, this article presents this important lesson for knowledge management consultants and practitioners that the components of simplicity, commitment, and aspiration are among the best practices for knowledge management development. Nissan’s calculated risk-taking was also a sign of this company’s action and effort in its revival. Now, by showing the transformation through bold action and the production of new products, Nissan seeks to develop and conquer the hearts and minds of customers.

In the second section, this article indicates that the strategic turning point is a pivotal time for an organization. Intel took into consideration its strategic turning point and survived the challenges faced by its competitors by focusing on microprocessors. Intel became one of the largest semi-media manufacturers in the world. The key success factor for Intel is they fell forward over and over again. There were enduring periods of confusion, trial and error, and chaos. This is tantamount to a strategic turning point and organizations must deal with the messy middle when engaging in change efforts.

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