THE ROLE OF LEADERSHIP IN SUCCESSFUL INTERNATIONAL MERGERS AND ACQUISITIONS: WHY RENAULT-NISSAN SUCCEEDED AND DAIMLERCHRYSLER-MITSUBISHI FAILED

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This article compares and contrasts the Renault-Nissan and DaimlerChrysler-Mitsubishi mergers to consider the relative and combined effects of national and organizational culture on the performance of Nissan and Mitsubishi. It also examines the reasons why the Renault-Nissan merger was successful and the DaimlerChrysler-Mitsubishi merger failed. It finds that Japanese national culture influenced organizational culture and HRM practices, which created organizations that had no sense of urgency, profit orientation, or accountability and led to poor market and financial performance. It also finds that leadership was a major factor impacting on the success of the turnaround efforts of these two organizations. These findings have implications for leaders and human resource management practitioners engaged in international business and are of particular relevance to Western organizations working with organizations in high-context countries with a collectivist rather than individualist orientation. © 2012 Wiley Periodicals, Inc.

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Introduction

There is substantial evidence indicating that culture is important to organization performance. First, a strong organizational culture can reduce an organization's costs by coordinating employee effort (Burt, 1999) and lead to competitive advantage (Kotter & Heskett, 1992). Second, organizational culture is important to organizational change, which is a frequent necessity in modern organizations. Jones, Jimmieson, and Griffiths (2005) attribute high change failure rates to change resistance

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cultures, and Hackney and McBride (1995) find that a lack of attention to organizational culture is often cited as an important reason for change failure. Third, organizational culture is also of particular importance during mergers and acquisitions, with the inability to extract expected value being attributed to cultural factors (Cartwright & Cooper, 1993). Specifically, a KPMG (2009) study that interviewed over 100 senior executives involved in 700 deals from 1996 to 1998 found that 83 percent of all mergers and acquisitions failed to produce any benefit for the shareholders, and over half actually destroyed value. The overwhelming cause for failure was people and cultural differences. This study found that difficulties encountered in mergers and acquisitions were amplified in cross-cultural situations, where the companies involved are from two or more different countries, finding that organizations from similar national cultures[1] were more successful. For example, a UK/US combination was 45 percent more likely than average to be successful, while a US/Europe merger combination was 11 percent less likely than average to be successful.

The link between organizational culture and organizational performance has significant implications for organization leadership, who play an important role in the management of organizational culture through role modeling and the implementation of human resource management (HRM) practices, which are the levers by which culture is changed (Schein, 2004). It is also important to HRM practitioners because HRM is influenced by organizational culture (McAfee, Glassman, & Honeycutt, 2002; Pudelko, 2005; Schneider, 2006) and can influence organizational culture (Ulrich & Brockbank, 2005). In particular, Ulrich and Brockbank (2005) propose that the HRM function plays a significant role in embedding and maintaining

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organization culture through the alignment of HRM practices and processes to the cultural capability required to meet the organization's business strategy and environment. Consequently, a greater understanding of managing organizational culture in cross-country contexts is likely to be of interest to both leaders and HRM practitioners in a globalized world where mergers and acquisitions in cross-country contexts are becoming increasingly common.

One country context of increasing importance to global business is the Confucian Asian societal culture, because it accounts for 25 percent of the world's population and 26 percent of the world's gross national product (GNP). This is likely to increase given the high rate of growth in Mainland China and most of the developing markets in the world (McAfee et al., 2002; Nguyen, Heeler, & Taran, 2007; Sartain & Finney, 2003; Ueltschy, Ueltschy, & Fachninelli, 2007). The Global Leadership and Organizational Behavior Effectiveness Research Project, known as GLOBE (2008), includes China, Hong Kong, Japan, Singapore, South Korea, and Taiwan in the Confucian Asian societal cluster. The Confucian Asian, or what is often referred to as Eastern, societal culture is distinctively different from its Western (countries of European origin) trading partners because it is high rather than low context, with a collective rather than individual orientation, which impacts significantly on its management and HRM practices (Nguyen et al., 2007). In contrast, low-context countries in the GLOBE "Anglo," or Western, country cluster (Australia, Canada, Ireland, New Zealand, white South Africa, the United Kingdom, and the United States) minimize social interdependence in their interactions with others, causing a more transactional "win-lose" approach that puts business before relationships (Griffith, Myers, & Harvey, 2006; Hofstede, 2001). All countries in the Confucian Asian cluster have been heavily influenced by China, including Japan, which shares rich cultural interactions with China despite its geographical distance (Gupta, Hanges, & Dorfman, 2002). For instance, Japan's collectivist society maintains strong, long-term social ties among societal

members, leading to harmonious interdependence. In particular, Japanese people have a preference to belong to groups and place group interests above their own individual interests and as a society have developed systems of mutual monitoring and sanctions to curtail self-interested behavior (Griffith et al., 2006).

The Japanese automotive industry provides an opportunity to study the relationship between national and organizational culture and performance in the Confucian Asian culture. While the Japanese automotive industry has dominated world markets and has been held up as an exemplar, in more recent times, there have been performance issues that have led to Japanese organizations being acquired by Western organizations. This has created naturally occurring comparative case studies, which create an excellent opportunity to examine the management of culture in the context of cross-societal and cross-national operations in general and in mergers and acquisitions in particular. Nissan and Mitsubishi required international bailouts by Renault and DaimlerChrysler, respectively, due to dysfunctional organizational cultures dominated by the Japanese national country context and appointed leaders charged with changing the dysfunctional organizational cultures of these two organizations. Carlos Ghosn was successful in changing Nissan's organizational culture, which had a positive impact on organizational performance, but Rolf Eckrodt was unsuccessful in changing Mitsubishi's organizational culture, and the organization failed to turn around its deteriorating performance. A comparison between Mitsubishi's failed turnaround and Nissan's spectacular success is viable given they were both midsize automotive companies in similar circumstances. This article uses extant literature on culture, leadership, and HRM and published material on the Japanese automotive industry to better understand how leaders can more effectively manage organizational culture in cross-country mergers and acquisitions.

There is a large body of information on Renault-Nissan, including extensive media articles and three books, one of which was coauthored by Ghosn (Ghosn & Ries, 2003). The information on DaimlerChrysler-Mitsubishi is more limited, partly because Ghosn was considered a celebrity in Japan and Eckrodt very rarely gave interviews. Information on the DaimlerChrysler-Mitsubishi alliance and Eckrodt's leadership was largely based on press releases until Froese and Goeritz (2007) supplemented information in the public domain with semistructured interviews with Japanese and non-Japanese managers who were involved in the merger-and-acquisition processes at both organizations. This article draws on all these sources to answer the following research questions:

1. What were the relative and combined effects of national and organizational cultures on the performance of Nissan and Mitsubishi?

2. Why was Carlos Ghosn's transformation of Nissan successful while Rolf Eckrodt's efforts were unsuccessful?

To answer these questions, I begin this article by examining extant research on the relationship among societal, national, and organizational culture and organizational performance. First, I will look at research on the role that culture plays in organizational performance in general and in the Japanese context in particular. Second, I will examine Nissan and Mitsubishi's problems and the role that the Japanese national culture played in creating HRM practices and an organizational culture that had a negative impact on organizational performance. Third, I will compare and contrast the changes that Ghosn and Eckrodt implemented at Nissan and Mitsubishi, respectively, that delivered such different outcomes under similar conditions and contexts. To do this, I will look first at the changes that were made to HRM practices and then at their leadership behaviors

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that influenced organizational culture. In the final section of this article, I draw conclusions that contribute to understanding on the role that national and organizational culture and the fit between them plays in organizational performance and the role that HRM and leadership can play in successfully changing organizational culture in a different national context. I conclude with the implications of this for HRM practitioners as they work with organizational leaders to deliver change in cross-societal and cross-national cultural contexts.

The Importance of National Culture

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There is mixed evidence on the importance of societal and national culture to organizational performance and there is little guidance on how much attention leaders and HRM professionals should pay to culture when doing business internationally. The convergence debate argues that organizational culture and HRM practices are converging and becoming more homogenous across national boundaries, which implies that differences in societal and national culture are irrelevant. The rationale for this position is that global organizations share best practices through benchmarking and mergers and become increasingly homogenous and efficient. Some recent studies support this conclusion. First, there is evidence that national culture has a limited impact on organizational culture, with Gerhart's (2009) research finding that country differences had a minor impact on organizational culture and Naor, Linderman, and Schroeder's (2010) finding that organizational culture has a greater impact on manufacturing performance than national culture and the fit between them. Second, there is evidence that national culture does not have an impact on HRM practices, with Warner, Benson, and

Rowley's (2004) research failing to find an Asian model of HRM and concluding that there is a weakening of national HRM practices. This implies that a lack of fit between national and organizational culture does not have a detrimental impact on organizational performance and that leaders and HRM practitioners can implement change to organizations without reference to the cultural context.

In contrast, the divergence debate proposes that societal and national culture have a significant impact on organizational culture and performance, proposing that leaders and HRM practitioners should actively manage differences across societal and national boundaries. Essounga (2009) summarizes the research on international organizations, which has shown that organizational cultures do reflect national cultures; different national culture types have been related to organizational effectiveness; and culture influences management attitudes.

It is proposed that leaders should take account of human and cultural factors in mergers and acquisitions (Cartwright & Schoenberg, 2006; Kavanagh & Ashkanasy, 2006). Kavanagh and Ashkanasy's (2006) research found that managers responsible for driving the merger process were not equipped with communication or change management skills, which had a detrimental effect on the ability of individuals to embrace change. In addition to this, Essounga (2009) attributes the rate of American business failure in foreign operations to a lack of country-specific training.

While there is evidence that organizations influence the way their subsidiaries operate in different countries, Essounga (2009) proposes that, despite increasing globalization trends, corporate culture remains a reflection of national culture. In addition to this, Schneider (2006) proposes that national culture may hinder the acceptance and implementation of human resource practices such as career planning, appraisal and compensation systems, and selection and socialization practices in subsidiaries of multinational companies. As a precursor to his study, Cooke (2006) cites research by Child (1994) that

found that multinational corporations' and joint ventures' HR policies were not embraced by their employees with enthusiasm. In 30 joint ventures Child studied, he found that there had been various attempts to introduce Western personnel tools with varying, but never significant, degrees of success. A common complaint among Western managers in China was that staff were reluctant to accept personal responsibility. This is consistent with an earlier study by Ilari and Grange (1999, as cited in Cooke, 2006) on a Sino-Italian joint venture motor company in southern China that found that the Italian partner found it difficult to transfer its firm-specific advantages because of cultural differences in the two employment systems. According to the managers they interviewed, these initiatives received only moderate enthusiasm from shop-floor workers, who displayed compliance rather than commitment. What they seemed to resent the most was the performance-related pay system and the secrecy of bonuses. Cooke (2006) concludes from these studies that the difficulties in integration were caused by differences in national culture and that the cultural difference between the West and the East is most distinct.

Several studies have reported a link between national culture and performance. Naor et al. (2010) propose that societal and institutional collectivism should improve operational performance because it improves teamwork, increases employee involvement, and breaks down barriers between departments. These cooperative relationships and cross-functional teams have lower costs, less scrap, and higher productivity, as demonstrated in initiatives developed by Japan, such as Quality Circles, that improve quality and decrease defects. However, Fahy and Taguchi (1995) argue that the traditional concepts of service, flexibility, and quality in the Japanese approach contribute to weak performance, and the Japanese emphasis on service and quality is not always cost-efficient because it requires time and human resources and may sacrifice productivity. Their study of Japanese management practices in Europe found that in Japanese organizations, non-Japanese staff reported that proposals moved slowly through multiple channels before decisions could be made and that high-ranking Japanese managers did not focus enough on planning and spent too much time apologizing for service failures. In contrast, European managers were more focused on the short-term costs. Finally, the GLOBE study of 62 societies found that cultural practices have a relationship with economic prosperity, productivity, and world competitiveness (House, Hanges, Javidan, Dorfman, & Gupta, 2004).

Consistent with the divergence hypothesis, it is proposed that leadership effectiveness is influenced by national culture, and a fit between a leader and culture is important for successful mergers and acquisitions (Den Hartog, House, Hanges, Ruiz-Quintanilla, & Dorfman, 1999). In particular, the GLOBE study found that culture influences the effectiveness of leadership behavior (House et al., 2004). For example, masculine national cultures are more likely to be tolerant of strong, directive leaders. In addition to this, cultures that hold the expectation that power will be distributed unequally have a more positive attitude toward authoritarian leadership where dominance and displays of power are considered appropriate. Even the universal characteristics of leadership that are valued across all cultures, such as charisma, are expressed differently in different cultures. This idea is reminiscent of contingency theories of leadership and the meta proposition that to be effective, leaders need to engage in behaviors that complement subordinates' environments and abilities (House, 1996). Similarly, there is evidence that authentic leadership is less likely in collectivist cultures that emphasize values of harmony, fitting in, propriety of behavior, politeness, conformity to social hierarchy, and community, where being authentic may be subordinate to the primary societal value of harmony. It is argued that

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authentic leadership behaviors in this context, such as giving subordinates the right to question a leader's actions and decisions, will invite ambivalent responses. In particular, the collectivist cultural practice of *guanxi*, or conferring privileges and favoritism to an in-group, may promote unethical actions. If the divergence debate is accepted, this has practical implications for leaders and HRM practitioners operating internationally. In particular, it implies that HRM practitioners and leaders should be aware of, carefully consider, and actively manage societal and national culture when implementing change.

This article will focus on the differences between Western individualistic and Confucian Asian collectivist societal cultures, with a specific focus on Japan. Specifically, there is evidence of divergence between US and Japanese leadership practices, with Smith, Misumi, Tayeb, Peterson, and Bond (1989) finding that American managers were more likely to provide directions to subordinates on a face-to-face basis, while Japanese managers were more likely to use written memos. They also found that in the United States subordinates usually receive negative feedback directly from their supervisors in face-to-face interactions, while in Japan feedback is usually channeled through a peer of the subordinate. They concluded that the global etic, or culturally neutral, behavior dimension referred to as "performance-oriented leadership" is enacted with different emic, or culturally specific, behaviors in Japan and the United States. These differences in behaviors reflect the US individualistic norm of "brute honesty" and the Japanese collectivistic norm of "saving face."

In conclusion, extant research is contradictory on whether HRM practitioners and the leaders they advise should pay attention to the societal and national cultural context they are operating in. There is also mixed evidence on the relationship between Confucian Asian collectivist cultural practices and performance. This gives little direction to HRM practitioners and leaders operating in countries with collectivist cultural values. In particular, they may wonder whether to introduce Western and US-centric management practices in different cultural contexts, and, if

they choose to do so, they may not be clear on the best way to implement these practices. This article will assist HRM practitioners and leaders to answer these questions by examining the impact of national cultural context on HRM practices and organizational behavior and performance at Nissan and Mitsubishi.

Nissan and Mitsubishi

In 1999, Nissan was number two in the global and Japanese automobile industry, with 140,000 salaried employees, but it had failed to produce a profit for eight years, had a 26-year decline in market share, and was near bankruptcy. Nissan's financial situation was critical, with continuing losses resulting in approximately $22 billion in debt. Specific problems leading to this position included low margins (it was estimated that Nissan gave away $1,000 for every car it sold in the United States); high purchasing costs (15 percent to 25 percent higher at Nissan than at Renault); and underutilization of assets (its Japanese factories were operating at half their capacity and were able to produce one million more cars than were sold). A takeover by Renault in 1999 put Carlos Ghosn in the position of chief operating officer. While it looked as though Nissan's problems were financial, Ghosn proposed that Nissan's most fundamental challenge was cultural and announced Nissan's Revival Plan in October 1999.

In 1995, Mitsubishi accounted for 11.4 percent of Japan's automobile market; however, in 2000, Mitsubishi's share declined to 8 percent and it lost $750 million on sales of $31 billion. Mitsubishi had forecast a $660 million net loss for the 2000 financial year; had $14 billion in debt; had operating margins less than 1 percent; and had launched only one car in this year. Consequently, in 2000, the cash-strapped Mitsubishi sold a third of its shares to DaimlerChrysler, who took a 37.3 percent stake in Mitsubishi Motors Corporation, which was just less than the 37.5 percent stake owned by Mitsubishi's keiretsu network (affiliated organizations that are characterized by close and long-term relationships). Rolf Eckrodt was appointed CEO in 2002 to lead a turnaround.

Ghosn achieved a successful turnaround at Nissan. In particular, Nissan halted its erosion of market share in 2001 and launched a small car that became third on the list of best-selling cars at the end of 2002, and Ghosn became a national hero. Eckrodt, on the other hand, was less successful. DaimlerChrysler-Mitsubishi continued to accumulate losses. In 2004, shareholders and corporate analysts were calling the DaimlerChrysler-Mitsubishi alliance a disaster. For the fiscal year 2003–2004, Mitsubishi lost between $650 and $946 million. Eckrodt stepped down as chairman and CEO of Mitsubishi and retired in 2004. DaimlerChrysler sold its stock in Mitsubishi in 2005, and ownership was returned to the Japanese keiretsu.

How National Culture Impacted on the Performance of Nissan and Mitsubishi

It has been proposed that the Japanese emphasis on collectivism leads to a focus on mutual interdependence, or reliance on others in the community, resulting in less friction, greater cooperation, and more synergistic outputs, but also a desire to be cared for with benevolence (Palaneeswaran, Kumaraswamy, & Ng, 2003). This section demonstrates how this cultural value contributed to an organizational culture that led to diffused accountability, no profit orientation, and a poor sense of urgency that resulted in poor performance at Nissan and Mitsubishi.

Avoiding Accountability Through Government and Keiretsu Partnerships

The Japanese cultural value of collectivism resulted in unlimited public support for non-competitive sectors and companies, which led to poorly disciplined financial markets because the Japanese government channels Japan's vast savings to corporations at low interest rates and bailouts troubled organizations based on a long-standing partnership with business to ensure employment and expand exports into world markets (Ghosn & Ries, 2003).

At the organizational level, the Japanese government's tradition of bailing out large, troubled employers led to a lack of accountability, no profit focus, and no sense of urgency at Nissan and Mitsubishi. Nissan managers were unaware of their own results and had no quantified goals, and information was based on limited data. The Nissan chief financial officer lacked experience and had no power or access to information. Nissan was selling cars without knowing if they were making profits. A subsequent analysis of costs showed that of the 43 different models marketed, only four made money, and the entry-level vehicle crucial to sales volume and market share showed a negative profit margin that exceeded 15 percent. Nissan's engineering department was large and dominant and had a culture of quality that was stricter than those of its competitors and resulted in supplier costs that were 20 percent higher with no discernible performance difference. The product planning process was a closed system that did not consider the customer and market. Consequently, there was a tendency to repeat existing models or copy the competition by duplicating Toyota's successful formulas. Designs reflected quality cars rather than stylish, innovative cars and were not aligned to customer opinion. In the past, the Japanese culture had been successfully used to deliver quality and productivity through total quality management and just-in-time production. However, these same national cultural norms at Nissan and Mitsubishi led to inhibited risk taking and too much time spent on concepts and details with no urgency to implement. A poor sense of urgency meant management and employees failed to address Nissan's problems and struggled to implement their goals. In particular, there was complacency with their market position, decision making was delayed, and deadlines

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were up to ten times longer than necessary. Complacency and lack of accountability also led to poor planning. Nissan's plans were qualitative and had no priorities, timetables, deadlines, allocated resources, or accountabilities.

Similarly, Mitsubishi had production overcapacity, excess employees, and no profit focus, to the extent that Eckrodt was able to cut 64,000 jobs in his first year to facilitate a profit for the 2001–2002 fiscal year for the first time in three years. Mitsubishi's history of selling almost exclusively to government meant it was badly equipped to sell cars to other markets. Mitsubishi's materials were sourced from traditional suppliers, which resulted in high costs. Finally, Mitsubishi's engineering dominance was at the expense of a commercial focus, and engineering priorities were given priority over the interests of customers.

Avoiding Accountability Through HRM Practices

Collectivism also influenced organizational HRM practices of recruitment and selection, performance management, promotion, and dismissal at Nissan and Mitsubishi. The belief was that performance is a collective enterprise in which no one should be abandoned and there should be no winners and no losers. Promotion by seniority resulted in a poor connection between performance and promotion. This practice encouraged hierarchical subordination at the expense of individual initiative. A norm of placing power in the hands of the most knowledgeable and experienced meant that when something went wrong, the most senior person accepted responsibility, and accountability at the lowest levels was diffused. Specifically, at Nissan, young graduates were recruited after university, often based on the recommendation of alumni. Their starting salary was low because promotion and reward based on seniority guaranteed future raises to retirement.

At Mitsubishi, there was a culture of ignoring and hiding bad news. Managers were so reluctant to relay bad news upward that they squelched complaints about quality defects for decades.

Collectivism also produced a tradition of lifelong employment that was only threatened by mistakes that employees made and conflict between employees. To avoid mistakes and dissipate accountability, consensus decision making and complacency became a norm. Nissan and Mitsubishi employees would poll opinions before meetings to test propositions, selecting those that were most popular and aligning positions with the ultimate decision maker so that no one individual could be identified later for originating a faulty position. This also resulted in risk aversion through *Ringi*, a written proposal circulation system, used to make decisions through consensus. In this system, oral communication was not regarded as an important method of exchanging opinions, and Japanese employees tend to use vague expressions in their conversations. Employees also used informal meetings and coalitions to avoid failure. It has been reported that "yes" in Japan often means "yes, I heard you," not "yes, I agree." Consequently, employees consider that matters can only be examined precisely by written documents, which slows decision making.

Avoiding Accountability Through an Absence of Debate

At Nissan, there was a norm of "saving face," and employees felt they could not criticize their own products. Debate was absent, and no one raised questions or objections because proposals were carefully worked out prior to meetings through the Ringi system of proposal circulations. At Mitsubishi, there was a culture of ignoring and hiding bad news. Managers were so reluctant to relay bad news upward that they squelched complaints about quality defects for decades. Mitsubishi had been covering up its design flaws that had caused many of its automobiles to malfunction since the 1970s to avoid costly recalls. It has been reported that 450,000 vehicles had defects that the organization knew about but didn't publicly report. It ultimately had to repair 26 mechanical defects, from defective air bags to faulty hoses that it had failed to report since 1993, despite an obligation to do so
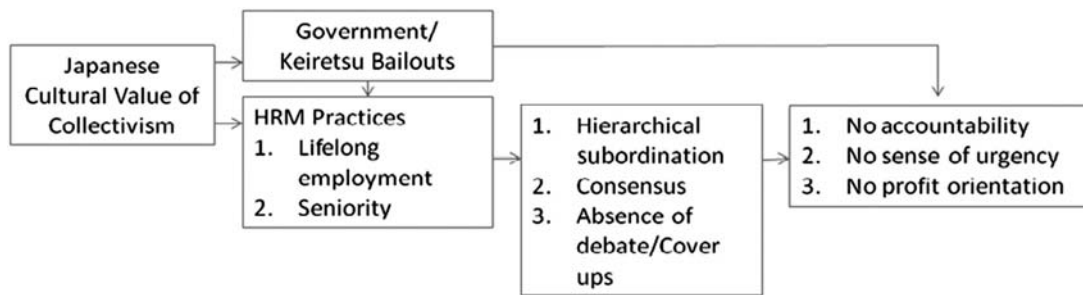
FIGURE 1. How National Culture Influenced Organizational Culture at Nissan and Mitsubishi

under Japanese law. In one notable incident, a quality defect in wheel hubs on heavy trucks resulted in wheels suddenly coming off the vehicles. Mitsubishi maintained that this problem was due to poor maintenance but ultimately acknowledged a hidden problem with fractured clutch housings that caused the transmission part to fall off vehicles, leading to 73 accidents and two fatalities. This resulted in massive losses. A cover-up was revealed in 2000, and such blatant disregard of customer safety alienated consumers and bureaucrats against the company, impacting on market share.

In conclusion, this section has provided evidence that the Japanese cultural context has had a significant negative impact on Nissan's and Mitsubishi's organizational culture, leading to poor organizational outcomes. Specifically, it has demonstrated how the Japanese national culture, which valued collectivism, contributed to an organizational culture that led to poor outcomes at both Nissan and Mitsubishi. First, it led to the practice of the government bailing out organizations that failed, resulting in a poor sense of urgency and profit focus at both organizations. Second, it resulted in the human resource practice of promotions based on seniority. This in turn led to a desire to avoid mistakes through hierarchical subordination, a lack of initiative and innovation, poor transparency, diffused accountability through consensus, and a culture of blame. Figure 1 summarizes the relationship between national culture and organizational culture.

The next section compares and contrasts how Ghosn and Eckrodt introduced organizational cultural change at Nissan and Mitsubishi to address the problems outlined in this section.

Leadership and Change at Nissan and Mitsubishi

In this section, I will examine why Carlos Ghosn's transformation of Nissan was successful and Rolf Eckrodt's efforts were unsuccessful. To do this, I will examine the similarities and differences between the two leaders. In particular, I will demonstrate that structural and HRM changes were not sufficient to create change and that leadership behavior was pivotal to the success and failure of the two cross-cultural mergers. In doing so, I will consider the alignment of the two leaders' behavior with the national and organizational cultural context using the GLOBE framework (House et al., 2004). I will also examine how the leader's authentic leadership behavior (Walumbwa, Avolio, Gardener, Wernsing, & Peterson, 2008) facilitated their alignment with context.

Both Leaders Introduced Cost-Cutting Measures

To achieve drastic cost reduction, Ghosn and Eckrodt both turned their attention to suppliers who, because of the keiretsu system, had increased the cost of purchasing through inefficient coordination and cost controls with suppliers. Second, in both organizations, underutilization of factories was problematic. Nissan reduced its production capacity by closing five factories that had 50 percent utilization. This was a taboo in Japan's dependent society because factories support the people who live around them.

Similarly, Eckrodt succeeded in initiating a program to cut material costs by 15 percent by 2003 by closing a factory to reduce capacity; reducing the number of platforms by 50 percent; dumping inefficient suppliers; cutting costs more aggressively; and selling assets. By the end of 2003, Eckrodt had slashed Mitsubishi supplier costs by 15 percent, cut the workforce by 16 percent, doubled research and development spending from 2000 levels, and hired top-flight designers.

Both Leaders Changed HRM Practices

Consistent with recommended culture change strategies, both leaders used HRM practices as a change lever. Schein (2004) proposes that the HRM processes of selection, dismissal, and rewards embed and reinforce organization culture. The Japanese approach to these processes was based on collectivism. Both Ghosn and Eckrodt introduced Western individualistic HRM practices.

First, Ghosn and Eckrodt used allocation of rewards to break with Japanese cultural traditions based on collectivism and address accountability issues at Nissan and Mitsubishi that contributed to no sense of urgency or profit orientation. At Nissan, a performance-based incentive system replaced pay and promotion based on work attendance, tenure, and age rather than actual performance, which bred complacency and rewarded consensus and cooperation delaying decision making and diffusing accountability. In addition to this, cash and stock options that are quite rare in Japan were given for performance, linked to operating profits and revenues. Cash incentives could amount to more than a third of annual pay packages, which benefited the organization's bottom line because variable pay linked to company performance does not add to fixed costs. Managers were allocated incentives at the beginning of the year with clear criteria and rewards. Most of the criteria were quantitative so there were no debates about whether the goals were reached and there was a sense of transparency and fairness. Nissan also started to hire employees at higher entry salaries and gave

them more frequent and considerable bonuses linked to the organization's performance. There was a substantive shift to focus on results, which encouraged transparency and execution, improving accountability. Mitsubishi's turnaround plan mimicked Nissan's. Eckrodt eliminated the traditional system of promotion based on seniority, replacing it with a system of rewards for good performance. Eckrodt also created a new "turnaround promotion" office reporting directly to him. In this way, Eckrodt signaled his desire to break with the Japanese tradition of promotions based on seniority.

Second, Nissan challenged the cultural norm of guarantees of lifelong employment by reducing Nissan's workforce by 14 percent (21,000 jobs). Nissan also ensured that new hires were credible and aligned to the changing Nissan. For example, when product planning needed to break free from its subordinated role to engineering, Shiro Nakamura was selected to manage this change because he symbolized Nissan's revival. He was Japanese, so he was accepted by Nissan's employees, but he also had a history of working outside the company and in other countries, so he was not affected by Nissan's past. He had self-confidence, an international vision, strong industrial experience, and an open mind, so he could instill confidence in the product planning design teams. Ghosn selected employees who promoted his change vision and were able to execute his plan to address a lack of accountability and organizational silos. This signaled a break with the past and a desire to create a new organization while being sensitive to the cultural context. Eckrodt also broke new ground at Mitsubishi. In 2004, to meet cost-cutting targets, Eckrodt reduced Mitsubishi's workforce by 14 percent (9,500 jobs from a total of 65,000) over a three-year period, breaking with Japanese norms of lifelong employment. In addition to this, Eckrodt replaced five top Japanese executives with Germans. Four of these new incumbents were under 40 years old. This shocked Mitsubishi veterans, because it was unusual to appoint young people to senior posts. It was even more unsettling because the promotions coincided with the forced

retirement of 11 of the 38 senior Japanese executives. In contrast to Nissan, Eckrodt signaled change but did not gain commitment to the change because he was not sensitive to the cultural context.

In conclusion, both Nissan and Mitsubishi broke with the Japanese collectivist traditions by addressing inefficiencies and eliminating lifelong employment and promotion through seniority. However, while these changes were important, they do not in themselves explain the differential outcomes in Nissan and Mitsubishi. The following parts of this section will look to leadership behavior for explanations.

Ghosn's and Eckrodt's Different Approaches to Implementing Teams

The contrast between Ghosn's and Eckrodt's leadership approach is most apparent in the way Ghosn and Eckrodt used teams in their respective organizations. Ghosn focused on the implementation of permanent and temporary cross-company teams (CCTs) and cross-functional teams (CFTs) as the main intervention for change. Results developed by these teams were binding and executed. This approach modeled teamwork and focused on bottom-line performance and was the main mechanism for addressing Nissan's cultural problems of lack of accountability, no profit orientation, and no sense of urgency. In contrast, Eckrodt used few teams and failed to empower them. These two approaches will now be examined in more detail.

At Nissan, a committee was built to promote joint strategy and synergies. This included the CEO of Renault and Nissan and five vice presidents of each organization that met on a monthly basis. In addition to this, 11 CCTs with managers from various levels overcame the hierarchical and divisional structure enhancing communication and collaboration between divisions. CCTs were implemented to focus on specific aspects of automobile manufacturing and delivery, such as product planning, manufacturing, and logistics, to maximize opportunities for synergy.

CFTs were established to drive change and give a sense of ownership and responsibility for turning Nissan around. Teams meant that employees were fully engaged in the change process. The teams also provided a mechanism for explaining the necessity for change and for communicating difficult messages across the entire company. The CFTs reported to Nissan's nine-member executive committee, and while decision-making power was retained by Ghosn and the executive committee, they had access to all aspects of the company's operations, so nothing was off-limits. Five hundred employees were involved in nine CFTs from July to September, focusing on business growth in new products, services, and markets; purchasing; manufacturing and logistics; research and development; sales and marketing; general and administrative services; finance; phasing out of products, equipment, or services; and organization value add. Team selection was based on both vertical and horizontal representation. This was a powerful tool for getting line managers to see beyond the functional or regional boundaries, think in new ways to challenge existing practices, and focus on total business success. The involvement of managers also meant that they were motivated to communicate relevant information to subordinates and coworkers, because collectivist cultures value participation (Froese & Goeritz, 2007). A pilot was appointed to each CFT. This was a role for a senior manager with frontline experience who had competency linked to the team goals and who was in charge of the agenda and led discussions. An executive with potential and high credibility was appointed to this role. These teams also had two team sponsors from the executive committee whose role was to broaden the vision, ensure access to information that was needed, smooth the way for the team as it conducted its work, and remove any institutional obstacles. Two senior voices meant that it was less likely that the team would focus its

The contrast between Ghosn's and Eckrodt's leadership approach is most apparent in the way Ghosn and Eckrodt used teams in their respective organizations.

efforts too narrowly, and these two senior voices would balance each other so no single function's perspective would dominate.

Ghosn gave his attention and resources to this initiative and was also an active role model. He was personally involved in the selection of CFT pilots to ensure they had high credibility. This demonstrated the importance of the teams and the values they promoted. Second, he paid attention to the cross-functional regional committees, chairing the Japanese committee, and attending the European and North American committee meetings at least four times a year. Third, Ghosn engaged in frequent meetings with cross-functional teams and management and made lots of visits to the field to listen to employee views. This communicated that cross-functional integration was important.

In contrast, DaimlerChrysler relied on its own managers to plan and execute changes. When several small cross-company teams of line managers were established, no one was clearly delegated responsibility for executing these projects, with the exception of the research and development department. Mitsubishi managers were treated as junior partners, and no Japanese executive was involved in top management decisions. Mitsubishi had an inflexible divisional structure but did little to change this. The need for quick results meant that cross-functional projects were not completed and sometimes cancelled, and participation and communication was restricted. A target-specific information policy was put in place, and important information was restricted to top-level management so that Mitsubishi employees did not know what was going on. Mitsubishi managers were not included in decision making and were often working toward different goals. A series of formal meetings was implemented to enhance participation and communication, but large numbers of participants meant they were inefficient, which irritated Mitsubishi

Mitsubishi managers were treated as junior partners, and no Japanese executive was involved in top management decisions. Mitsubishi had an inflexible divisional structure but did little to change this.

managers, who did not communicate the information they received to their subordinates as expected. Many German managers were only on short-term contracts to Japan and perceived as temporary guests rather than committed to the Mitsubishi organization. As a result, Mitsubishi managers criticized DaimlerChrysler managers for their lack of commitment to the alliance and accused them of acting opportunistically in the interest of DaimlerChrysler and their personal careers, which conflicted with the Japanese cultural value of collectivism. In contrast to Ghosn and his approach, Eckrodt and his leadership team were considered inauthentic. This will be discussed in the next part of this section.

Ghosn's and Eckrodt's Fit With Organizational and National Culture

The GLOBE study of 62 societies (House et al., 2004) provides a useful framework for analyzing the impact of the two leaders in the context of national and organizational culture. GLOBE found that national cultural practices relate to country economic health, including economic prosperity, productivity, and world competitiveness. It is proposed that a positive relationship with economic health is delivered through higher consumption and growth, higher economic productivity, government support for prosperity and economic progress, and societal support for business competitiveness, which reflects the general societal attitudes toward competitiveness. The definitions next to each GLOBE cultural criteria in the second column of Table I give some indication of the way in which they impact on economic health. Table I also compares the societal cultures of several countries of interest to this article and the organizational culture of pre- and post-merger Nissan and Mitsubishi based on an analysis of the case data. Columns four to seven show existing "as is" practices and "should be" values, respectively, for Confucian Asian societies, which are relevant to an analysis of Japanese culture; Latin European societies, which are relevant to the French culture in which Renault is based; Germanic Europe societies, which are relevant to the

1 GLOBE Criteria	2 Definition	3 Relationship to Country Economic Health Practices	4 Confucian Asian Practices/Values Japan (Nissan and Mitsubishi)	5 Latin European Practices/Values France (Renault)	6 Germanic Europe Practices/Values Germany (Daimler-Chrysler)	7 Anglo Practices/Values (United States)	8 Nissan/Renault-Nissan Cultural Practices	9 Mitsubishi/Daimler-Chrysler-Mitsubishi Cultural Practices
Performance Orientation	Performance improvement and excellence are encouraged and rewarded	positive	H/L	M/M	H/M	H/M	L/H	L/L
Assertiveness	Assertiveness, confrontation, and aggression in relationships with others	none	M/H	M/M	H/L	M/M	L/H	L/L
Future Orientation	Delaying gratification, planning, and investing in the future	positive	M/M	M/M	H/L	M/M	M/M	M/L
Humane Orientation	Being fair, altruistic, generous, caring, and kind to others is encouraged and rewarded	none	M/M	M/M	L/M	M/M	H/M	H/L
Institutional Collectivism	Collective distribution of resources and collective action is encouraged and rewarded	positive	H/M	L/M	M/M	M/L	H/H	H/H
In-Group Collectivism	Expression of pride, loyalty, and cohesiveness in organizations or families	negative	H/L	M/M	L/L	L/H	H/H	H/H
Gender Egalitarianism	Minimization of gender inequality	none	M/L	M/H	M/H	M/H	N/A	N/A
Power Distance	Expectation that power will be distributed unequally	negative	M/M	M/M	M/M	M/M	H/L	H/H
Uncertainty Avoidance	Reliance on social norms, rules, and procedures to alleviate the unpredictability of future events	positive	M/M	M/M	H/L	M/L	H/H	H/H

Note: H = High, M = Medium, L = Low.

German culture in which DaimlerChrysler is based; and Anglo societies, which are relevant to the United States, from which much management theory is derived and to which, some theorists are proposing, global management practices are converging. Columns eight and nine provide an assessment of the pre- and postchange cultural characteristics in the two organizations of interest. They show the culture at Nissan versus the culture at Renault-Nissan and the culture at Mitsubishi versus the culture at DaimlerChrysler-Mitsubishi.

The fourth section of this article proposed that collectivism produced low assertiveness, high power distance, and low performance orientation at premerger Nissan and Mitsubishi. Table I indicates that, according to the GLOBE studies, these cultural practices do not have a positive relationship with economic performance, which is consistent with the poor performance at Nissan and Mitsubishi. Second, it shows that premerger Nissan and Mitsubishi are not an exact match with the Japanese cultural context. In particular, institutional collectivism at the societal level is not consistent with low performance, which may indicate that collectivism manifests differently at the organizational level. Third, it shows that postmerger Nissan and Mitsubishi do not mirror the cultural characteristics of their home-country corporate offices. For instance, Renault-Nissan's culture does not seem to have been influenced by Latin European societal practices or values and DaimlerChrysler-Mitsubishi's culture is not influenced by Germanic Europe practices or values (although this could reflect an ineffective change process). Finally, this table indicates that neither organization's culture was influenced by Anglo practices or values, which indicates that homogenization of corporate cultures toward an international best-practice Anglo model has not occurred here.

Extant research has demonstrated that high power distance is not compatible with authenticity, or being and expressing one's "true" self, because it results in employees who are less willing to question, challenge, and express disagreement with their supervisor.

The GLOBE framework indicates that Ghosn was a good fit with the needs of the Nissan organization. First, Ghosn effectively introduced cross-functional, divisional, and regional teams that gave employees a voice that they had not had before. This increased assertiveness and performance orientation and reduced power distance while maintaining collectivism. All of these changes in culture resulted in improved performance, as would be expected by House et al.'s (2004) conclusions (shown in Table I). In contrast, Eckrodt was only able to implement a veneer of teams and put power in the hands of home-country expatriates. This modeled high power distance and in-group collectivism at the expense of the merger and reinforced many of the negative cultural characteristics of premerger Mitsubishi. Extant research has demonstrated that high power distance is not compatible with authenticity, or being and expressing one's "true" self, because it results in employees who are less willing to question, challenge, and express disagreement with their supervisors (Pekerti & Sendjaya, 2008). Based on this, it is not surprising that Mitsubishi employees engaged in passive resistance and failed to overtly express that they were not on board with the changes Eckrodt was introducing. According to House and his colleagues (2004), these cultural criteria have a negative impact on economic health. The old Mitsubishi culture of low assertiveness and performance orientation remained unchanged, reinforcing its poor-performing culture.

Differences in Leader Authenticity

Recent literature on leadership indicates that leadership behavior will not be effective if followers do not perceive the leader to be authentic. Authentic leaders generate trust through transparent and consistent behavior between words and deeds. As a consequence, followers accord the leader legitimacy to promote cultural values. Followers of authentic leaders are more likely to identify with the leader and their workgroup, trust their leader, and develop positive affect, including optimism,

hope, self-efficacy, and resilience, regarding the leaders' proposed changes (Avolio & Gardener, 2005). This section proposes that Ghosn succeeded where Eckrodt failed in implementing positive change because he displayed the competencies of authentic leadership. Walumbwa et al. (2008) used four factors of self-awareness, ethical/moral conduct, balanced processing, and transparency to operationalize the concept of authentic leadership and were able to prove the reliability and validity of this measure. Cross-cultural studies have supported the reliability and validity of these four factors in countries outside the United States (Caza, Bagozzi, Woolley, Levy, & Caza, 2010), including China (Walumbwa et al., 2008). Significant relationships have been reported between authentic leadership and a range of positive organizational outcomes, such as follower job performance, optimism, engagement, trust in leader, organizational climate, enthusiasm, creativity, and organizational identification (Caza & Jackson, 2011; Walumbwa et al., 2008; Walumbwa, Luthans, Avey, & Oke, 2009; Walumbwa, Peterson, Avolio, & Hartnell, 2010; Wong & Cummings, 2009). An analysis of Ghosn's and Eckrodt's behavior indicates that they differed on these four factors. It is proposed that Ghosn's self-awareness and balanced processing allowed him to be sensitive to the national and organizational cultural context and, consequently, become a better fit with this context. This, together with his transparency and ethical/moral conduct, developed follower trust in him and identification with his new cultural values. The behavior of each leader on each competency of authentic leadership and the consequences of this behavior for cultural change at Nissan and Mitsubishi are examined in this section.

Walumbwa et al. (2008) propose that self-aware leaders accurately describe how others see them and understand how their actions impact on others. Ghosn demonstrated he was aware how his actions would impact on Nissan employees. From the beginning, he was clear that Nissan had to be changed from the inside. Understanding that Nissan employees would see him as an outsider because he was non-Nissan and non-Japanese, he did not take on the role of missionary and become determined to involve Nissan's employees in a revival. Although a culture clash between what the media has labeled Ghosn's "French leadership style" and Japanese employees was anticipated, it did not happen. Self-awareness enabled him to establish a better fit with the Japanese culture. This is in sharp contrast to Eckrodt, who misread the Japanese response to his change process. While Eckrodt had been warned not to be too willing to believe Japanese managers when they promised to fix a problem because their "yes" means "I heard you" rather than "I agree," he falsely assumed that Mitsubishi managers were committed to the changes he was trying to make. Walumbwa and his colleagues also propose that self-aware leaders also know when it is time to re-evaluate their position on important issues. Eckrodt's muted and delayed response to the failed strategy to boost US sales, which were down 20 percent in 2003, was criticized strongly by analysts and media. His extremely generous financing deals, which involved no money down or repayments for a year, resulted in young buyers defaulting. These US losses undermined Mitsubishi's global recovery plan. Ghosn's self-awareness enabled him to successfully implement initiatives that changed Nissan's dysfunctional practices. He involved Nissan employees in the change process, which leveraged the positive aspects of Japanese collectivism, and held employees individually accountable, which minimized the negative aspects of collectivism. This then encouraged a high performance orientation that is consistent with national Japanese cultural practices. This demonstrates that Ghosn's awareness of how his actions would impact on Nissan employees was a good fit with the national and organizational context. In contrast, Eckrodt

Eckrodt's inability to see how his actions impacted on Japanese employees and other stakeholders, together with a lack of awareness of the Japanese tendency to hide their dissension, blinded him to the reality that employees were engaged in passive resistance.

was a poor fit with the Mitsubishi and national Japanese context. His implementation of pseudo teams and concentration of power in the hands of expatriate managers alienated Mitsubishi employees. Eckrodt's actions were in conflict with Japanese collectivism and reinforced in-group collectivism and high power distance, which had created so many problems at Mitsubishi and are linked to poor economic health practices. Eckrodt's inability to see how his actions impacted on Japanese employees and other stakeholders, together with a lack of awareness of the Japanese tendency to hide their dissension, blinded him to the reality that employees were engaged in passive resistance.

The second aspect of authentic leadership is balanced processing, defined as the degree to which the leader reinforces a level of openness with others that provides them with an opportunity to be forthcoming with their ideas, challenges, and opinions, soliciting sufficient opinions and viewpoints prior to making important decisions. Ghosn used balanced processing more than Eckrodt. To address Nissan's avoidance of reality, Ghosn spent most of the spring of his first year examining Nissan from every angle. In addition to this, he held executive committee meetings on test tracks where management tried out their competition's cars. Ghosn was friendly and open and wanted to talk to people and learn. For example, he walked around the entire company to meet every employee in person and initiated long discussions with several hundred managers to discuss their ideas, meeting more than 1,000 people in this period. Balanced processing was extended into the teams that Ghosn introduced throughout the organization, which had processes that ensured that a range of voices were heard. In contrast, Eckrodt had numerous meetings with factory workers and employees, inviting them to present ideas to improve the company but failed to gather information that alerted him to the fact that Mitsubishi managers were not committed to his changes. As a consequence, he falsely assumed that Mitsubishi managers were on the same page. Ghosn used balanced processing to gather information to inform his actions,

but while Eckrodt spent time communicating, he did so in a way that neglected important information, such as management and employee passive resistance, which undermined structural change. This indicates that he was not sensitive to the cultural context and did not adapt his behavior to accommodate it. Ghosn role modeled the cultural values he sought to instill at Nissan, and Eckrodt role modeled the behaviors that needed to change at Mitsubishi. In this way, Ghosn was a good fit with Nissan and Eckrodt was not a good fit with Mitsubishi, because he did not use or model balanced processing.

The third dimension of authentic leadership is transparency, defined as the degree to which the leader reinforces a level of openness with others that provides them with an opportunity to be forthcoming with their ideas, challenges, and opinions. Ghosn was more transparent than Eckrodt. Ghosn insisted from the very beginning that Nissan's transparency would be total and that they would speak openly about problems and results. The teams moved Nissan from a consensus culture where dissent was not voiced to active consensus through new meeting behaviors. In this new approach, at the beginning of a meeting goals were clarified. As the meeting progressed, if someone disagreed, the meeting was stopped because it was worth hearing dissension even if it took time to get a better decision. The dissenter was then required to suggest an alternative. The options were then discussed until the superiority of one approach was recognized. This ensured that everyone could be heard and have an opportunity to shape the decision so that an optimal decision could be reached. The CFT approach created transparency and allowed the entire organization to know what everyone else was doing, addressing the cultural problem of accountability. Ghosn approached the change with complete transparency, which embedded the cultural value of accountability and responsibility and challenged the old cultural values of blame and complacency. He also modeled transparency through his communications with the press. In contrast, Eckrodt seldom gave interviews and failed to create transparency at Mitsubishi.

When a German manager gave an assignment to a Japanese subordinate, he/she would often reply "yes" without taking any action, because it was perceived that the German managers were a storm that would pass quickly. Instead of cooperating with the turnaround team, Japanese managers partly ignored decisions, and a shadow board of Mitsubishi managers continued to be in charge of real decision making. For example, despite announcing the dissolution of the supplier's council of Mitsubishi's keiretsu, Mitsubishi continued to buy supplies within the keiretsu. In summary, Ghosn won trust through transparency, which further promoted accountability, teamwork, and integration of Renault and Nissan. In contrast, Eckrodt and his German management team were not trusted, and Mitsubishi managers and employees were kept in the dark and were not committed to change. In summary, Eckrodt role modeled Mitsubishi's old cultural values and failed to generate the trust required for transformational change (Jung & Avolio, 2000), while Ghosn was a good fit with Nissan because he role modeled the organizational cultural values that were needed to overcome a culture that was characterized by poor accountability. He also generated follower trust in, and identification with, the new cultural values.

The final factor of authentic leadership is ethical/moral conduct. Leaders who demonstrate this quality demonstrate behavior consistent with their values, or "walk the talk." This is consistent with Schein (2004), who proposes that leader role modeling and behavior consistent with the desired culture embeds and reinforces organizational culture. Ghosn's words and actions were consistent, but Eckrodt's were not. When Eckrodt arrived at Mitsubishi in early 2001, one of his first acts was to give top executives fist-size chunks of the Berlin Wall, each emblazoned with the words "Leave no stone unturned," but Eckrodt did not do this and Mitsubishi employees did not take this message on board. First, in contrast to Ghosn's clear strategy and rigorous execution, Eckrodt was accused of being too laid back and informal, illustrated by his tendency to wander off on tangents

and not finish a speech on time. This was attributed to Eckrodt's "Brazilian leadership style" by the media. He was criticized for not having a clear postmerger integration strategy because he just had a general intention that the merger would improve Mitsubishi's prospects in the Far East markets and that DaimlerChrysler would benefit from access to small car technology. Ghosn defined the roles of all Nissan managers so that everyone could see exactly what their contributions to Nissan were. In contrast, under a new organizational structure adopted through the turnaround plan, Eckrodt aimed to clarify operational rules and responsibilities for each job, but this plan was not executed. At Mitsubishi, decisions were not made quickly enough, which did not role model a needed sense of urgency. Eckrodt needed approval from headquarters in Stuttgart and did not have a direct reporting line to the DaimlerChrysler CEO, which slowed decision making. Mitsubishi managers compared German managers to marionettes directed by Stuttgart headquarters. This mirrored existing cultural practices at Mitsubishi that had led to poor performance.

Second, Eckrodt did not role model accountability. In comparison to the old culture at Nissan, Ghosn was very precise, extremely factual, and highly quantified in relation to performance and deadlines. He made it clear that every number proposed had to be thoroughly checked and did not accept any report that wasn't totally clear and verifiable. He expected people to personally commit to every observation or claim they made. In a vertical society like Japan, employees expect guidance from supervisors (Froese & Goeritz, 2007), and Ghosn provided this. He role modeled this behavior when he announced the revival plan, which had the specific and measurable goals of returning to profitability in 2000, achieving an operating profit of 4.5 percent by 2002 and reducing net debt from 1.4 trillion to less than 700 billion yen by 2002, declaring that

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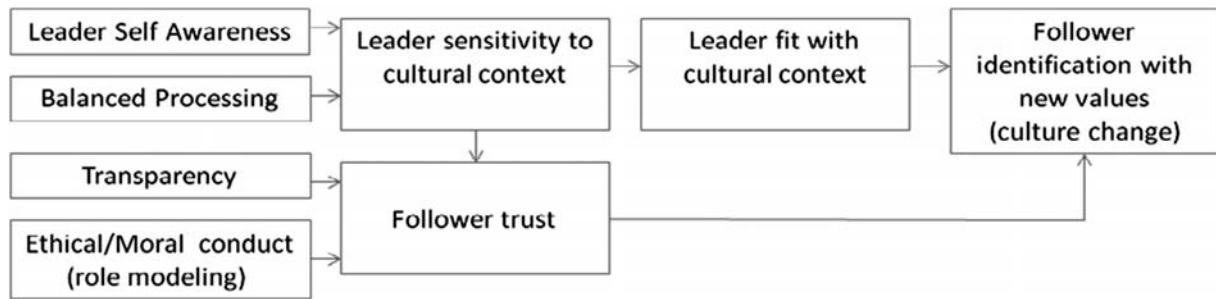
FIGURE 2. The Impact of Leadership on Organizational Culture Change

he and the whole top management would resign if he failed to accomplish any of the commitments that had been set. Ghosn won the trust of Nissan's managers and helped motivate the rest of organization by putting his own job on the line if targets were not met. In contrast, while rumors were rife that Eckrodt would resign because of the 2003 American loan disaster, which created losses of between $375 million and $420 million in bad American loans, Eckrodt said that he would leave his position only if Mitsubishi's shareholders asked him to do so, despite a prior commitment to resign if the company didn't break even in 12 months. Eckrodt also failed to model and promote accountability at Mitsubishi. Even though Nissan employees were aware of the problems they faced and the solutions required, they never carried them out.

Third, Eckrodt and his expatriate managers failed to role model a sense of urgency, and this was modeled by Mitsubishi's Japanese managers, who believed their keiretsu would bail them out so they did not need to respond to DaimlerChrysler's changes. In contrast, Ghosn role modeled a sense of urgency. He was advised to take his time in Japan and exercise moderation but was skeptical, because Nissan's state of deterioration required an intense response. However, it should be noted that Ghosn has been criticized in France for his management style, which generated so much employee stress that he was named in one employee's suicide note (Rothfeder, 2008). Eckrodt also did not walk the talk when he introduced pseudo teams in contrast to Ghosn's authentic implementation of teams. Eckrodt also failed to walk the talk of integration. DaimlerChrysler appeared to not be committed to sharing power with Mitsubishi and did not engage Mitsubishi managers and employees in the change process, which resulted in passive resistance.

In summary, Ghosn built trust through ethical/moral conduct. He walked the talk and role modeled the behavior and values he wanted to change, such as accountability. Consequently, there was follow-through on the initiatives he introduced. In contrast, while Eckrodt spoke of accountability with his dramatic opening symbol of the Berlin Wall, he failed to be accountable or hold Mitsubishi managers (German and Japanese) accountable. Consequently, there was little follow-through. This demonstrates that Ghosn was a good fit with Nissan because he role modeled the required organizational cultural values that the organization needed to adopt and generated the trust that followers need to identify with and adopt these values. In contrast, Eckrodt role modeled Mitsubishi's old cultural values, which had led to its many problems and did not generate follower trust.

Figure 2 summarizes the positive impact of authentic leadership on effective cultural change.

This section has demonstrated that leadership was important to the success of Nissan and failure of Mitsubishi. Ghosn was high on the four aspects of authentic leadership and Eckrodt was lower on these aspects. While extant theory anticipated that authentic

leadership behavior would be a poor fit with the Japanese collectivist national culture, Ghosn was successful at Nissan, indicating that authentic leadership may be valued across all national cultures. Self-awareness and balanced processing equipped Ghosn to be aware of the national and organizational culture and his own capacity to lead in this context. Consequently, there was a fit between Ghosn's approach and Japanese societal values, which House et al. (2004) propose are most important to leadership acceptance (see the fourth column of Table I for Confucian Asian values). First, he successfully implemented teams that promoted individual voice, which struck a balance between collectivist and individualist practices. This was a good fit between Confucian Asian "as is" practices, which manifest collectivism, and "should be" values, which indicate a desire for less collectivism. Second, Ghosn's ethical/moral and transparency behaviors resulted in his being clear about his expectations and the consequences for not meeting them, which is consistent with the Confucian Asian high-assertiveness value.

Eckrodt, in contrast, was not a strong leader and was controlled by DaimlerChrysler. This hierarchical approach meant that expatriate German managers were given leadership roles and did not role model commitment to Mitsubishi. Eckrodt's lower self-awareness and balanced processing behaviors meant that he was unaware of how this approach generated passive resistance in Mitsubishi managers and employees. Eckrodt's lower ethical/moral and transparency behavior led to the introduction of team initiatives that did not elicit changes in behavior and supported the existing cultural practices of not voicing opinions upward. This resulted in the resistance to change being hidden, which would explain Eckrodt's misperception about the change process. In addition to this, these behaviors conflicted with the collectivist and assertiveness values of the Japanese national culture.

It is also likely that the home country of Renault and DaimlerChrysler played a role in the success of the mergers. The French and German cultures may have influenced the

freedom that Ghosn and Eckrodt were given to transform Nissan and Mitsubishi. DaimlerChrysler is a German organization, and Table I shows Germany is high on assertiveness and uncertainty avoidance, medium on power distance, and low on humane orientation. This profile is most likely to lead to a desire by head office to tightly control operations in Japan and not consider the impact of this behavior on Japanese nationals. In contrast, the French home of Renault is medium on all of these characteristics, which may have led them to give Ghosn more freedom (see the fifth and sixth columns of Table I).

In summary, Ghosn was a better fit with the national and organizational cultural context than Eckrodt. Ghosn's success and Eckrodt's failure can be attributed to the ability of these leaders to address the relative and combined effects of national and organizational culture. Ghosn's authentic leadership behavior gave him the capacity to be aware of himself and his impact in the Japanese context and understand how best to change the Nissan culture.

While extant theory anticipated that authentic leadership behavior would be a poor fit with the Japanese collectivist national culture, Ghosn was successful at Nissan, indicating that authentic leadership may be valued across all national cultures.

Discussion

This article began with two research questions. The first question concerned the relative and combined effects of national and organizational culture on the performance of Nissan and Mitsubishi and the second asked why Carlos Ghosn's transformation of Nissan was successful while Rolf Eckrodt's efforts were unsuccessful. This discussion will focus on these two questions.

The Japanese collectivist culture influenced organizational behavior directly through its influence on organization culture and indirectly through its influence on HRM practices, which also impacted on organization culture. This supports the divergence argument that proposes that national culture is important to organizational performance and

HRM. Based on this, leaders and HRM practitioners need to be aware of differences in national culture and be skilled in identifying when national culture is having a negative impact on organizational behavior and performance. In particular, when introducing change, leaders need to be aware of the fit of their leadership style with the context in which they are operating. Eckrodt's lack of attention to the influences of national and organizational culture at Mitsubishi played a major role in DaimlerChrysler's failure to integrate the two organizations and achieve the desired synergies. Eckrodt's "laid back" style role modeled the values that were contributing to Mitsubishi's poor performance and failed to provide the strong leadership that the Japanese valued. However, this case also provides some support for the convergence proposition that a fit between national culture and organizational culture is not required for high performance. The Nissan and Mitsubishi cases demonstrate that this fit is not desirable when it creates a dysfunctional organizational culture. The Nissan case demonstrates that organization culture can become independent of national culture, supporting Hofstede's (1993) proposition that while societal culture changes slowly, organization culture may be consciously changed.

Eckrodt's lack of attention to the influences of national and organizational culture at Mitsubishi played a major role in DaimlerChrysler's failure to integrate the two organizations and achieve the desired synergies.

The fit between leadership behavior and national and organizational culture has also been considered in this article. We can conclude that a fit is valuable because it facilitates employee identification with the leader and the changes that he/she is introducing. However, the relationship is complex. Clearly, a fit with a dysfunctional culture is not conducive to change. A leader who inadvertently engages in behavior that reinforces the old cultural values, regardless of the values that he/she espouses, will perpetuate the status quo. Leaders who have self-awareness and balanced processing capabilities develop sensitivity to the cultural context and understand what needs to be changed and how best to introduce the change. This results in a "cultural fit" with national and organizational culture and leads to trust and identification between the leader and follower. If leaders also use transparency and ethical/moral conduct, follower trust will be reinforced and followers will further identify with the new cultural values and behaviors that the leader is promoting and modeling, which will achieve the desired culture change. This article has also suggested that the national culture of the acquiring organization can impact on the ability of a leader to introduce change that is a good fit with the national culture of the acquired organization. While this provides support for the divergence proposition that leadership must be adapted to the cultural context, it also argues that authentic leadership is valuable in all national cultures, despite extant theory that proposes that authenticity is not valued in collectivist cultures. This supports the notion that there should be convergence toward "best practice" leadership in all national culture contexts.

The Nissan case also demonstrates that HRM practices can be successful even when they are not consistent with national culture. Western HRM practices work in a collectivist culture if introduced effectively. For example, the introduction of contingent, individual pay to Nissan was successful despite the Japanese collectivist culture context. However, the Mitsubishi case demonstrates that without associated cultural change driven by the leader, HRM practices alone cannot change dysfunctional collectivist behaviors. Followers are not instrumentally driven to cultural change—neither the carrot of individual rewards nor the stick of plant closures and sacked management worked at Mitsubishi. Culture change is a matter of the heart, and the leader's behavior is the most effective instrument of change. This article attributes the success of Nissan and failure of Mitsubishi to differences in leadership. Ghosn demonstrated commitment to the integration of Renault and Nissan and successfully introduced new cultural values to Nissan through

self-awareness and balanced processing, which increased leader sensitivity to, and fit with, the cultural context. Ghosn also used transparency and ethical/moral conduct to develop follower trust and identification with, and adoption of, desired cultural values. All of these authentic leadership behaviors role modeled the new cultural values needed to overcome poor accountability, no sense of urgency, and no profit orientation in the old Nissan culture. Eckrodt was unable to do the same at Mitsubishi. This is most likely caused by Eckrodt's leadership ability. His lack of awareness of the impact of his actions on employees; inability to pick up on employee passive resistance; poor transparency, leading to employee lack of trust; and role modeling of old Mitsubishi behaviors resulted in reinforcement of the old Mitsubishi culture. Eckrodt's leadership may also have been constrained by DaimlerChrysler's home-country management based on German cultural values, which maintained tight centralized control, in sharp contrast to Ghosn's freedom to devolve accountable decision making. This article stresses the importance of leadership behavior and fit with the leadership context in both the home and host country. Managing these contexts is an important leadership function, and self-awareness and balanced processing are ways in which leaders can facilitate their fit with these contexts.

Implications for HRM Practitioners and Leaders

This article demonstrates that national culture is an important consideration for leaders and HRM practitioners to extract maximum value from mergers and acquisitions in competitive industries. National culture influences organizational culture and HRM practices, which also drive organizational culture and associated behavior. When doing business in or with Confucian Asian societal groups, leaders and HRM practitioners should understand that collectivism is likely to have a substantive impact on organizational behavior. This article has responded to calls for empirically grounded theory to explain differential leader behavior and effectiveness across cultures (Den Hartog et al., 1999).

This article has also demonstrated that dysfunctional organizational cultures and HRM practices can be changed even when they are inconsistent with national cultural values. These findings have implications for international HRM in general and specifically for HRM in high-context countries, which characterize many emerging economies that are of increasing relevance to future business.

The most important contribution of this article is the lesson it draws from the Nissan and Mitsubishi experience on the way in which culture should be changed to produce an effective outcome. This article has demonstrated the importance of leadership to successful organizational culture change in cross-country mergers. In particular, leaders need to be developed to understand cultural differences and their impact on performance and change. They also need to be aware of their own style in the context of existing and desired cultural values. Developing the capabilities of authentic leadership will develop this awareness and lead to follower trust and subsequent commitment and adoption of the cultural values required to achieve the hoped-for turnaround and synergies. Finally, corporate head offices need to understand that the leader needs the latitude to create fit between organization change and the organization and national culture context.

Note

1. Hofstede (2001) defines *national culture* as the homogeneity of characteristics that separates one human group from another, stating that it provides a society's characteristic profile with respect to norms, values, and institutions. More recently, *national culture* has been broadly defined as values, beliefs, norms, and behavioral patterns of a national group (Leung, Bhagat, Buchan, Erez, & Gibson, 2005). This more holistic view includes values and practices (Javidan, House, Dorfman, Hanges, & Sully de Luque, 2006).

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