

Quiz

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Special Topics in Internationalization

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Bergamo, ITALY



■ Are these sentences true or false?

1. The dimensional approach groups similar cultures together as clusters & civilizations.
2. Case-by-case approvals mean rules by which shareholders and other interested parties control corporate decision makers.
3. Anti-dumping policies require a certain proportion of the value of the goods made in the country to originate from that country.
4. Horizontal FDI takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical way in a host country.
5. PEST analysis is an examination of resources to prefer a particular activity compared against competitors.



■ Answers

1. The **cluster approach** groups similar cultures together as clusters & civilizations. ✗
2. **Corporate governance** means rules by which shareholders and other interested parties control corporate decision makers. ✗
3. **Local content requirements** require a certain proportion of the value of the goods made in the country to originate from that country. ✗
4. **Vertical FDI** takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical way in a host country. ✗
5. **Benchmarking** is an examination of resources to prefer a particular activity compared against competitors. ✗

Nomura

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■ Questions

- Why is this article **important**?
- Do you believe that Nomura was **successful or unsuccessful** in the **post-integration process**?
- Explain **HRM systems** inherent in the **Japanese business system**.
- What **managerial implications** can you draw from this case?



■ Key Points

- ❖ Acquisition of **Lehman's assets in Europe & Asia**.
- ❖ **Securities brokerage & investment banking**.
- ❖ Did Nomura make this acquisition **successful**?
- ❖ A **hard-charging** NY investment bank + a **hierarchical** Japanese firm practicing **lifetime employment** = ?
- ❖ To retain talents, Nomura guaranteed **ex-Lehman employees' astronomical pay level for 3 years**. → Why is this problematic?
- ❖ Nomura's personnel **rotation** system? **Generalists vs Specialists**?
- ❖ **Jesse Bhattal's** (Deputy President & a former Asia-Pacific CEO of Lehman) **interactions** with the **board**?
- ❖ Overall, what is so **difficult** in the post-M&A integration process?

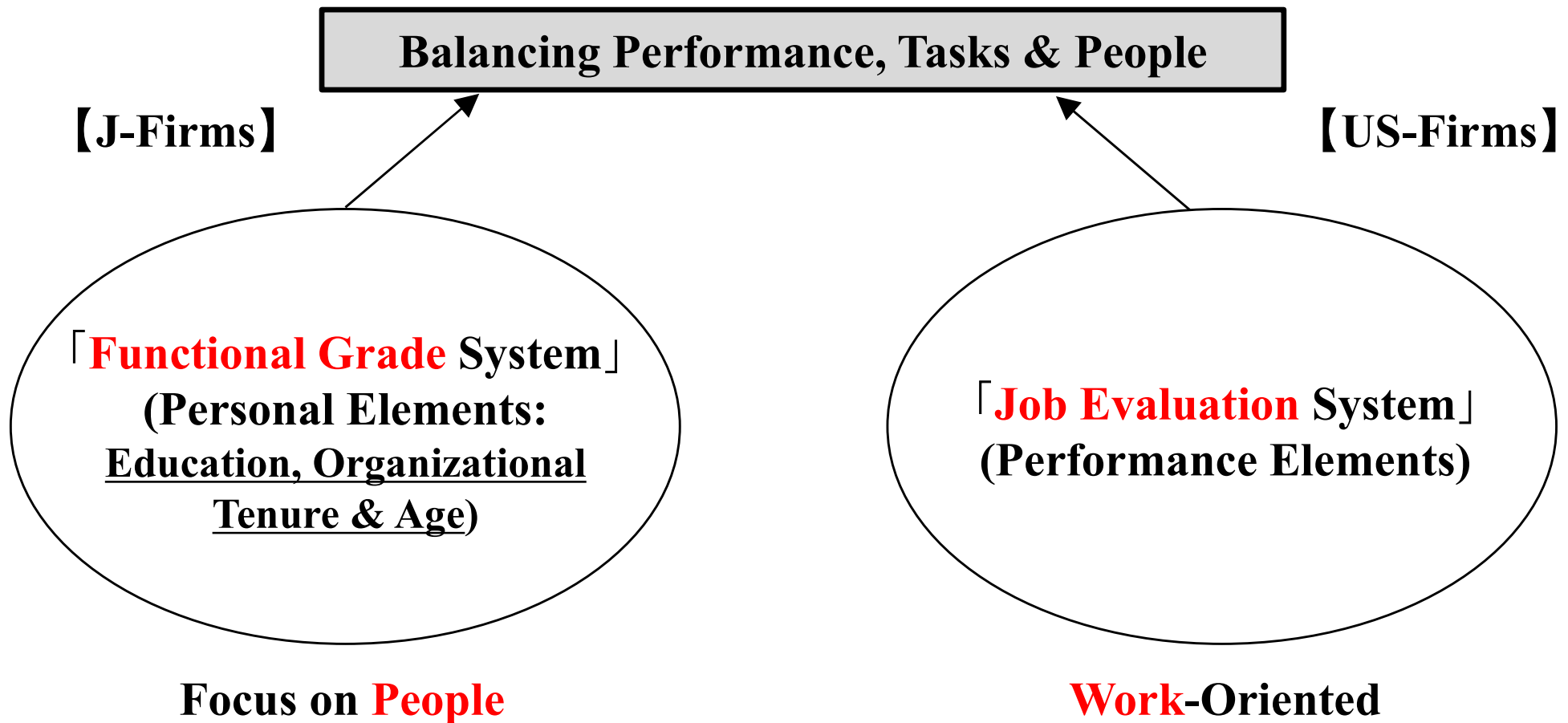


■ Japanese HRM Systems

- ❖ Employer provides **job security** while **employees cooperation**.
- ❖ **Lifelong employment** has a complementary relationship with the main bank system, the *keiretsu* system, & employee participation.
- ❖ The **insider-centered character** of Japan's permanent employment system develops on the basis of '4' types of HRM institutions:
 - (1) **Human capital development:** On-the-job-training (OJT), quality circles, job rotations, & small group activities.
 - (2) **Compensation system:** Seniority-plus-merit wage, internal promotion, bonuses, corporate pensions.
 - (3) **Employment adjustment methods:** Hiring freeze, *tenseki* & *shukko*.
 - (4) **Internal enforcement & coordination mechanisms:** Enterprise unions, workplace socialization.



■ Different Remuneration Systems in Japan & the US



Source: Nemoto (2006:133).

Daimler Merges & Demerges

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■ Questions

- What is the **central argument** of this article?
- Explain the **advantages & risks** of transforming Daimler into an integrated technology group like Siemens or GE.
- Discuss the underlying **rationale** for converting Daimler into a multi-brand global car maker. Is it **positive** or **negative**?
- Clarify the **merits & risks** of Daimler focusing exclusively on its Mercedes Benz brand for passenger cars & trucks.



■ Key Points

- ❖ **Ambitious growth strategies by Daimler's TMT.**
- ❖ **Domestic acquisitions in the 1985.**
 - **MTU** (defense contractor) / **Dornier** (small aircraft manufacturer) / **AEG** (white goods conglomerate).
- ❖ **Shifting focus from a military hardware to civilian aircrafts due to the fall of the Iron Curtain in 1990.**
 - **Fokker** (Dutch business jet provider) **acquired BUT** went into **insolvency** due to **significant competitive pressures**.
- ❖ **Daimler's acquisition of Chrysler in 1998 BUT huge failures.**
 - **High levels of hubris & significant managerial self-interests.**
 - **Little organizational fit = a lack of human integration.**
- ❖ **Partial acquisitions of Mitsubishi (34%) & Hyundai (10%).**
- ❖ **Global focusing through automotive technology & branding.**



■ Is Diversification A Source of Competitive Advantage?

❖ *Benefits of Diversification?*

- Ensure **a regular revenue stream** by extending your portfolio of product.
- Extend **a brand reputation** into other markets.
- Opportunities to expand product offerings or expand into **new markets**.

❖ *When to Diversify Your Business?*

- Diversification is good when **your core business is stable & profitable**.

❖ *Hidden Costs of Diversification?*

- **Complexity & difficulty** of coordinating different businesses.
- **Lack of expertise or knowledge** about new businesses.

❖ *What is Sony's Diversification Pattern? Unrelated?*

- Sony finds itself **thinly stretched with too many products** while being targeted by too many rivals.



■ Leveraging Core Competencies

❖ Creating Superior Customer Value

- Every value chain activity has the potential to provide a viable basis for **building on a core competence**.
- Gillette has developed **a series of successful new razors**, building on a thorough knowledge of several phenomena that underlie shaving.

❖ Similarity in Different Businesses

FUJIFILM

- At least one element in the value chain must require **similar skills** in creating competitive advantage if the firm is to capitalize on core competence.
- Fujifilm: **Collagen**, a key component of both film & human skin.

❖ The Core Competencies Should be Inimitable

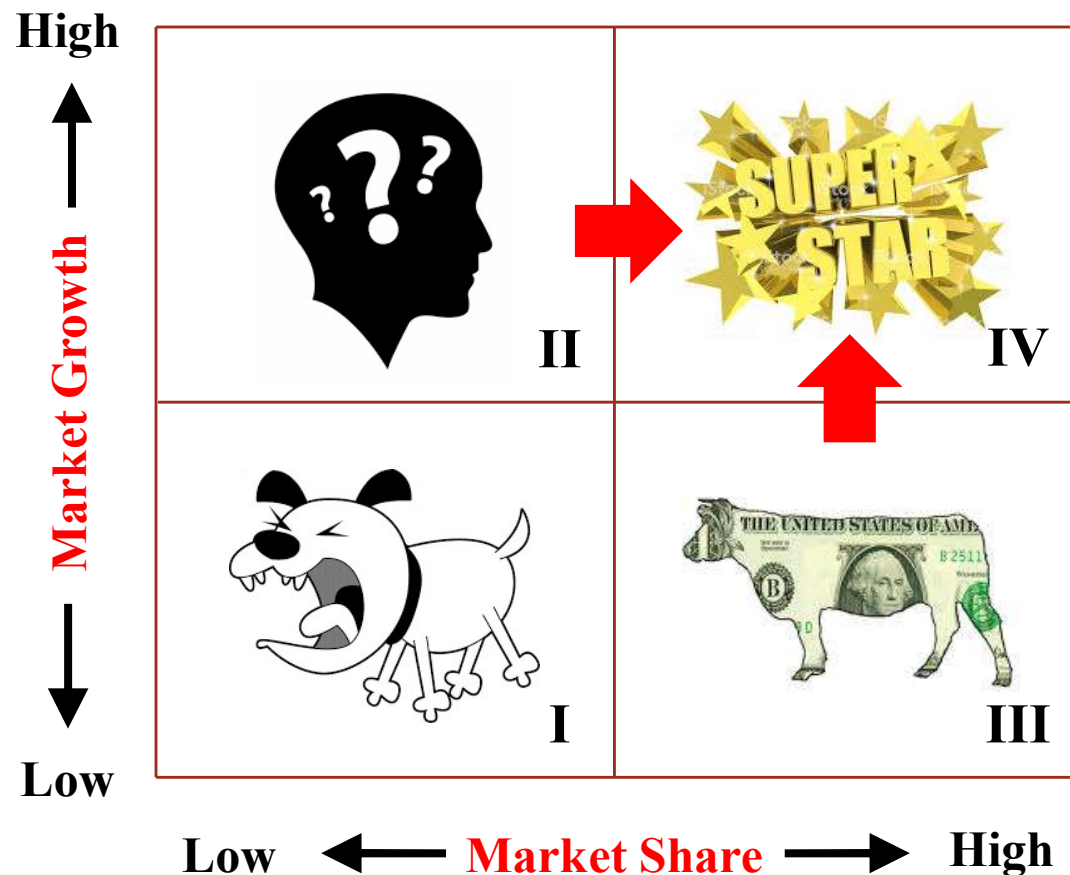
amazon

- Amazon developed strong core competencies in **Internet retailing, website infrastructure, warehousing & order fulfillment** to dominate the **online book industry**.



■ Portfolio Management: BCG's Growth/Share Matrix

❖ Underlying Logic



KEY POINTS

- > **Quadrant I (Dogs): Low Market Share & Low Market Growth** (Weak in market, difficult to make profit = Exit !)
- > **Quadrants II (Question Marks): Low Market Share & High Market Growth** (High competition requires additional & continued investments = Large cashout !)
- > **Quadrants III (Cash Cows): High Market Share & Low Market Growth** (Doing well in no growth market with limited opportunities = Market maturity & stability / little cashout / high profits).
- > **Quadrant IV (Stars): High Market Share & High Market Growth** (Doing well, great opportunities)

**Gill, C. (2012). “Cross-Border Mergers & Acquisitions:
The Cases of Renault-Nissan & DaimlerChrysler-Mitsubishi”,
Human Resource Management, 51(3): 433-456.**

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Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Carlos Ghosn (born 9 March 1954)

- ❖ ... is a **French Lebanese Brazilian** businessman who is currently the **Chairman & CEO of Renault (FRA)** & holds the same positions at **Nissan (JPN)**.
- ❖ ... spent **18 years at Michelin** after his graduation.



■ Are Management & Leadership the Same or Different?

❖ Kotter (1990)

- **Management:** Functions that create *order & stability* & ensure that *processes are carried out efficiently*.
- **Leadership:** *Traits & skills* that *inspire, motivate, & drive change*.

❖ Steve Jobs (Apple)

- Much of the traits required to be a leader are in the *genes*.
- Demonstrated his *great strategic innovative thinking* around applications of technology.
- Able to *communicate his ideas & passion to a broad audience*.

Appreciation Strategy Humility
Commitment Responsibility Listening
Leadership
Integrity Honest Communication
Values Purpose Determination
Passion Principles



Renault-Nissan vs. DaimlerChrysler-Mitsubishi



*“Leadership is firstly based on your ability to **connect** & to **attract** people around you”.*

*“Being afraid of failure usually **provokes** failure”.*



*“You have to have **strategy**, how do we get there, what are the **action plans**, & make sure they are deployed at **every level** of the company”.*



Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Akio TOYOTA vs. Carlos GHOSN

❖ CEO Messages to Shareholders (2013)

587

words



1,175

words

Global Mindset

2.00

3.50

Entrepreneurial Orientation

2.00

3.75

Confidence

2.00

2.50

Long Term Orientation

5.50

3.75

Note: Own calculation based on DICTION 7.0.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



1



2



3



4



5



HONDA

6



7



8



9



CHANGAN

10



11

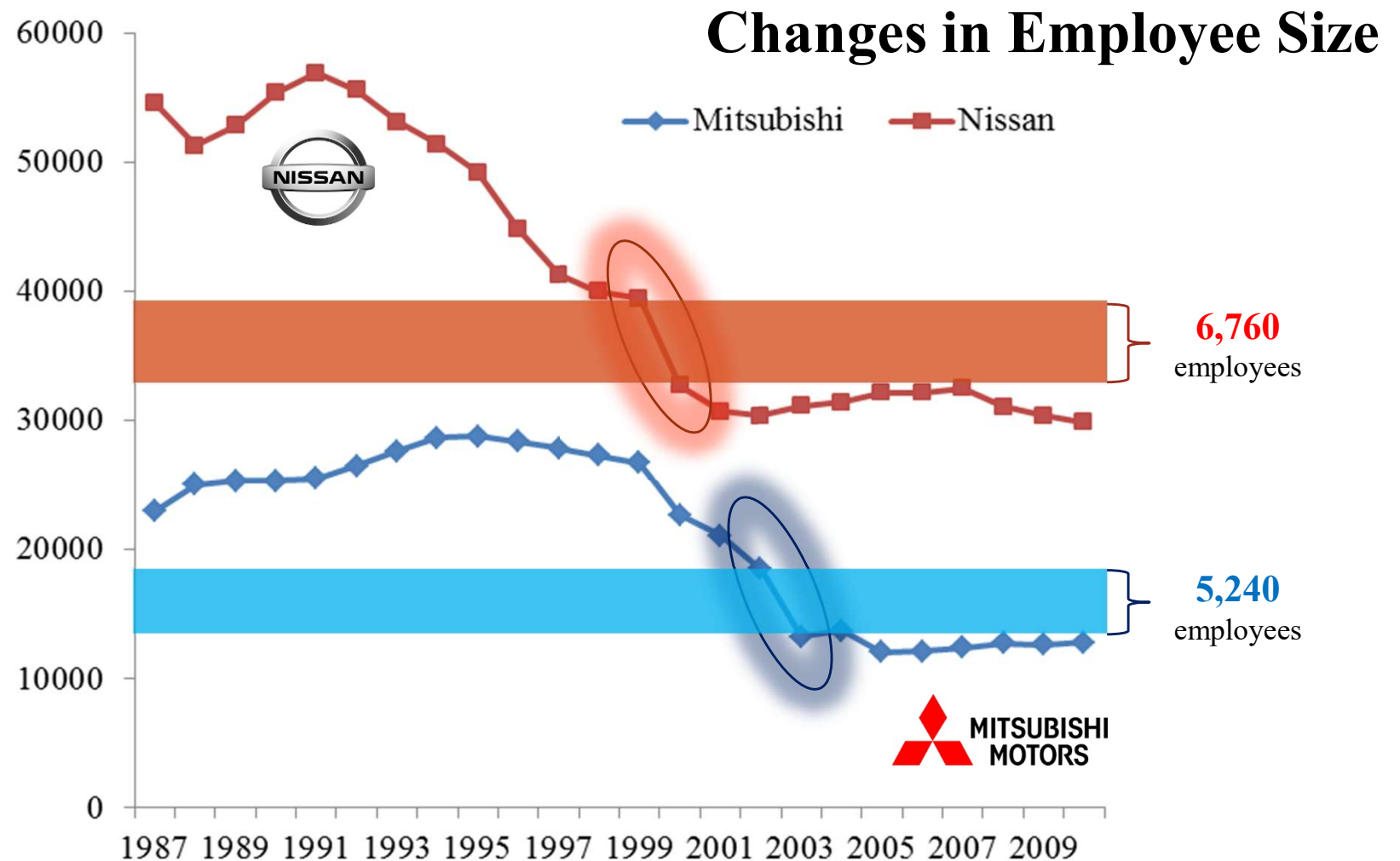


Mercedes-Benz

12

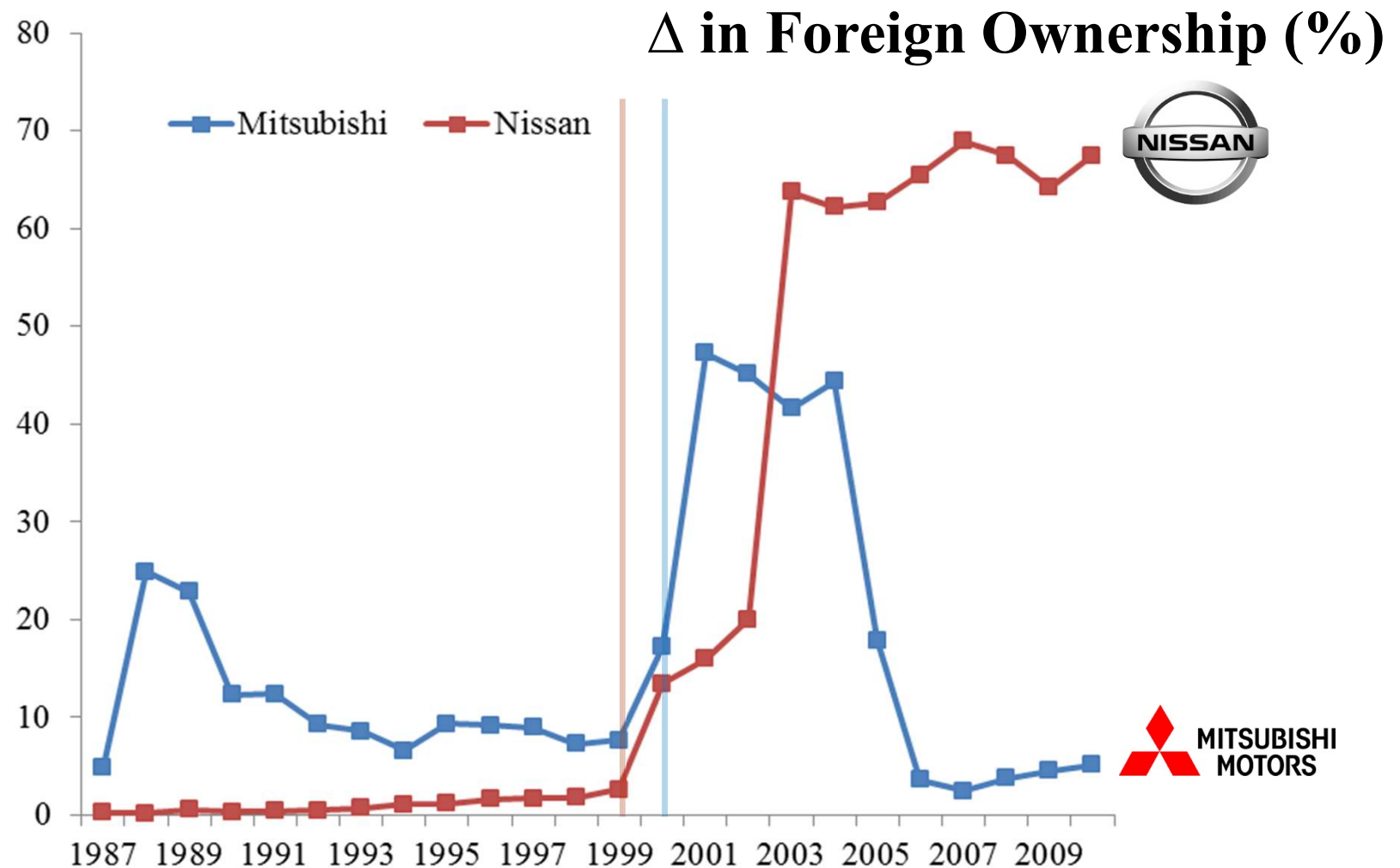


Renault-Nissan vs. DaimlerChrysler-Mitsubishi



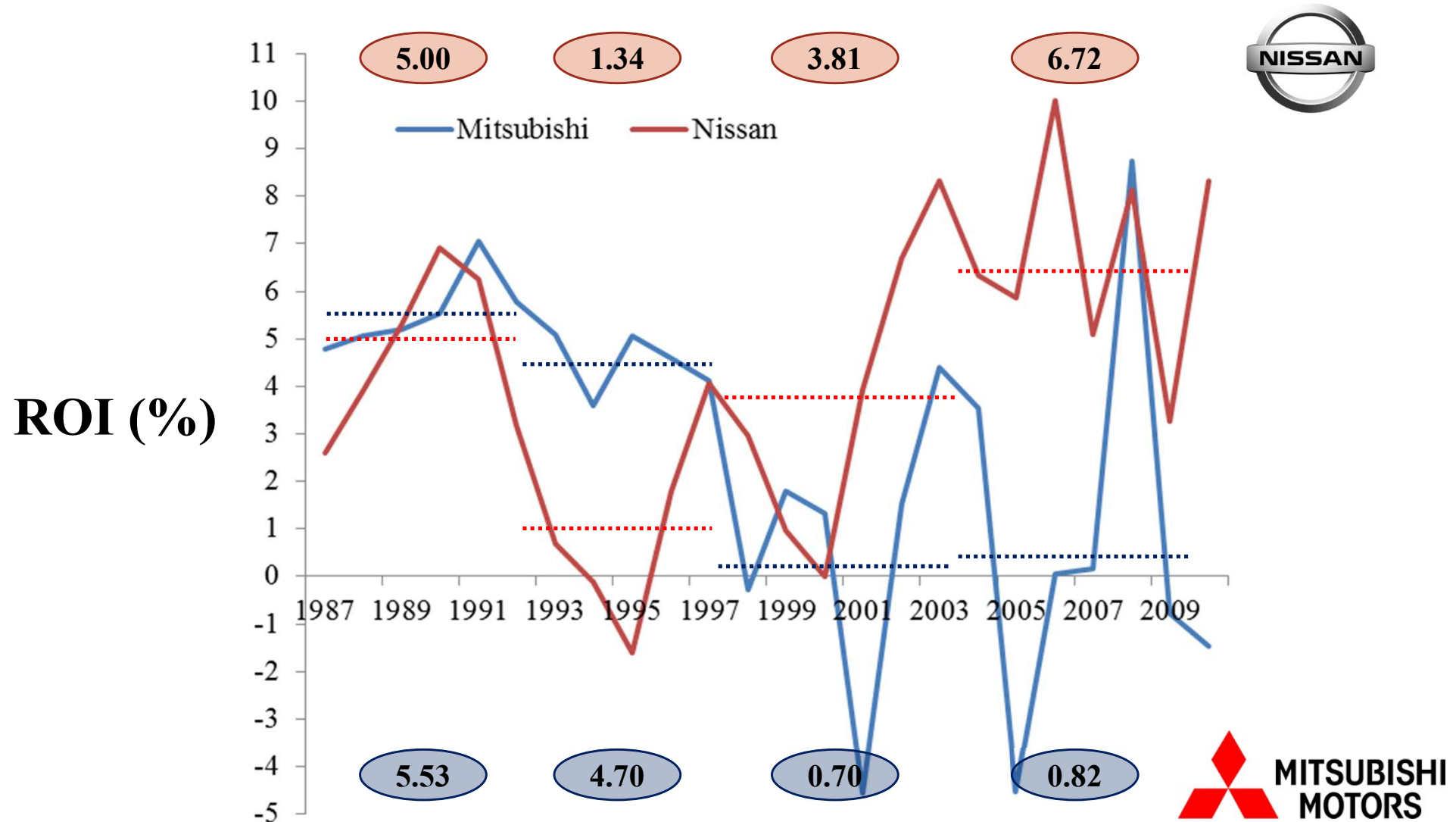
Source: Own illustration based on NEEDS.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Source: Own illustration based on NEEDS.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Source: Own illustration based on NEEDS.



■ Questions

- I. **WHAT** were the relative & combined effects of **national & organizational cultures** on the performance of Nissan & Mitsubishi?
- II. **HOW** did **Carlos Ghosn** & **Ralf Eckrodt** influence **HRM practices** in Nissan & Mitsubishi, respectively?
- III. **WHY** was **Carlos Ghosn**'s transformation of Nissan **successful** while **Ralf Eckrodt**'s efforts were **unsuccessful**?

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Overview of the '2' Acquisitions

	Renault-Nissan	DaimlerChrysler-Mitsubishi
HQs of acquirer	France	Germany-USA
Acquired stake	37%, later increased to 44%	34%
Financial strength of acquirer	Medium	Medium to high
Financial situation of target	Distressed	Distressed
Motives of acquisition	Global expansion, acquiring technologies	Global expansion, acquiring technologies
Outcome	Success	Failure, divestment

Source: Froese & Goeritz (2007).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Organizational Change & Leader Authenticity

Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures		
Changes in HRM practices		
Approaches to implementing teams		

Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness		
Balanced-processing		
Transparency		
Ethical/moral conduct		

Source: Froese & Goeritz (2007).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures	<ul style="list-style-type: none"> • Reduce production capacity by closing down 5 factories. • Breakup of <i>kreiretsu</i> supplier systems. 	<ul style="list-style-type: none"> • Cut material costs by 15%. • Reduce the number of platforms by 50%. • Close down a factory. • Dump inefficient suppliers. • Selling assets.
Changes in HRM practices	<ul style="list-style-type: none"> • Performance-based incentive. • New hire at higher entry salaries. • Hiring employees in alignment with change vision. • Promotion based on change vision. 	<ul style="list-style-type: none"> • Elimination of promotion based on seniority. • Breaking with Japanese norms of lifelong employment. • Appointment of new, young German executives.
Approaches to implementing teams	<ul style="list-style-type: none"> • Cross-company teams (CCTs). • Cross-functional teams (CFTs). • Engagement in frequent meetings with CFTs & management. 	<ul style="list-style-type: none"> • Several small CCTs, but with uncertainty of responsibility. • No Japanese executive was involved in top management decisions.

Source: Gill (2012).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



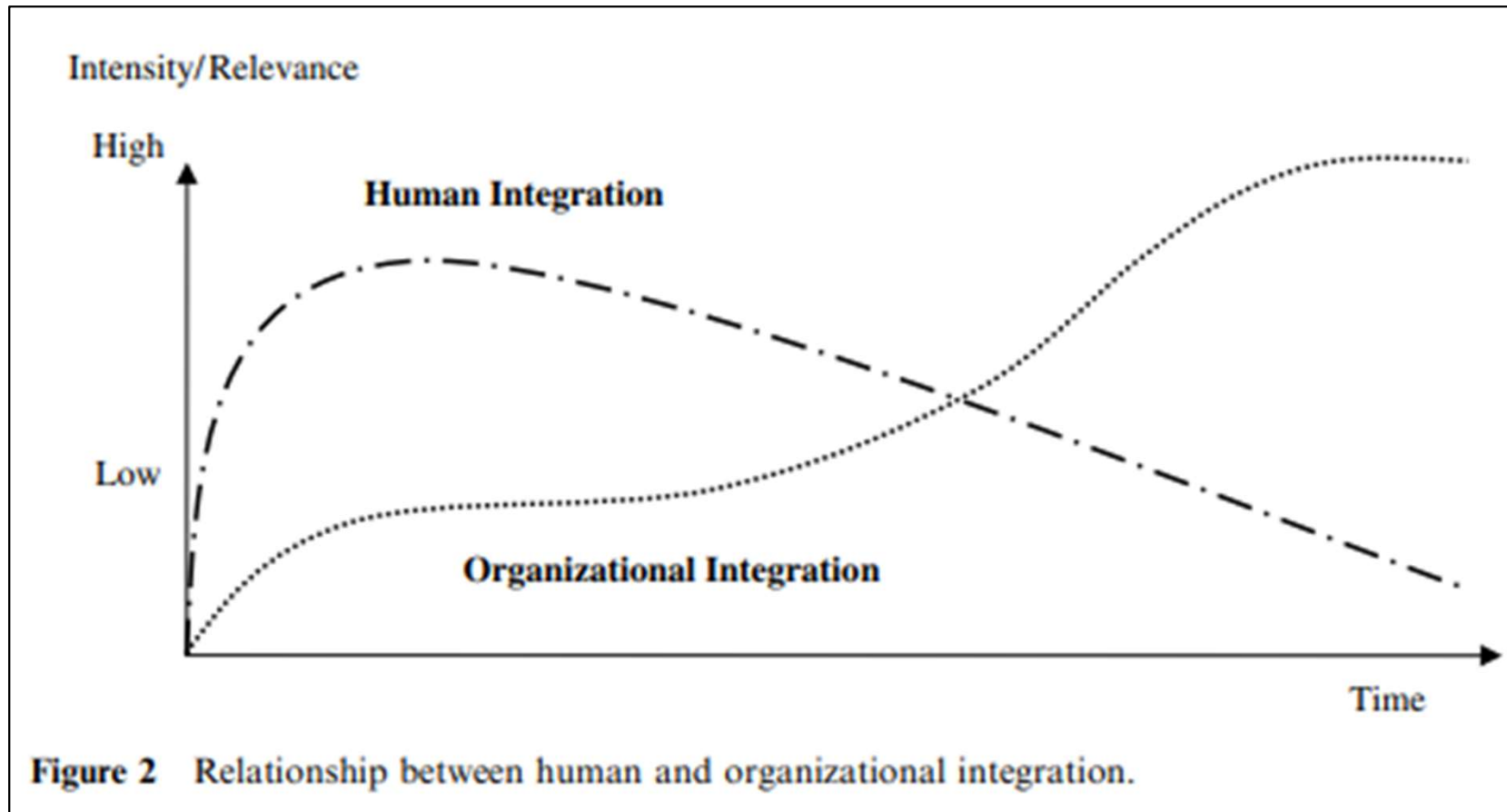
Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness	<ul style="list-style-type: none"> Ghosn was aware how his actions would impact on employees. Understanding that Nissan employees would see him as an outsider. 	<ul style="list-style-type: none"> Eckrodt misread yes as “I heard you” > “I agree”. He falsely assumed that Mitsubishi managers were committed to the changes he was trying to make.
Balanced-processing	<ul style="list-style-type: none"> Ghosn was friendly & wanted to talk to people & learn. Ghosn ensured that a wide range of voices were heard. 	<ul style="list-style-type: none"> Eckrodt failed to gather information, including employee passive resistance.
Transparency	<ul style="list-style-type: none"> Ghosn spoke openly about problems & results. Worth hearing dissension. Communication with the press. 	<ul style="list-style-type: none"> Eckrodt seldom gave interviews. Eckrodt failed to generate the trust required for change.
Ethical/moral conduct	<ul style="list-style-type: none"> Ghosn’s words & actions were consistent; <u>role model/clear strategy/rigorous execution</u>. 	<ul style="list-style-type: none"> Plans were not consistently executed; <u>too laid back & informal</u>; <u>marionettes</u> by HQs.

Source: Gill (2012).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



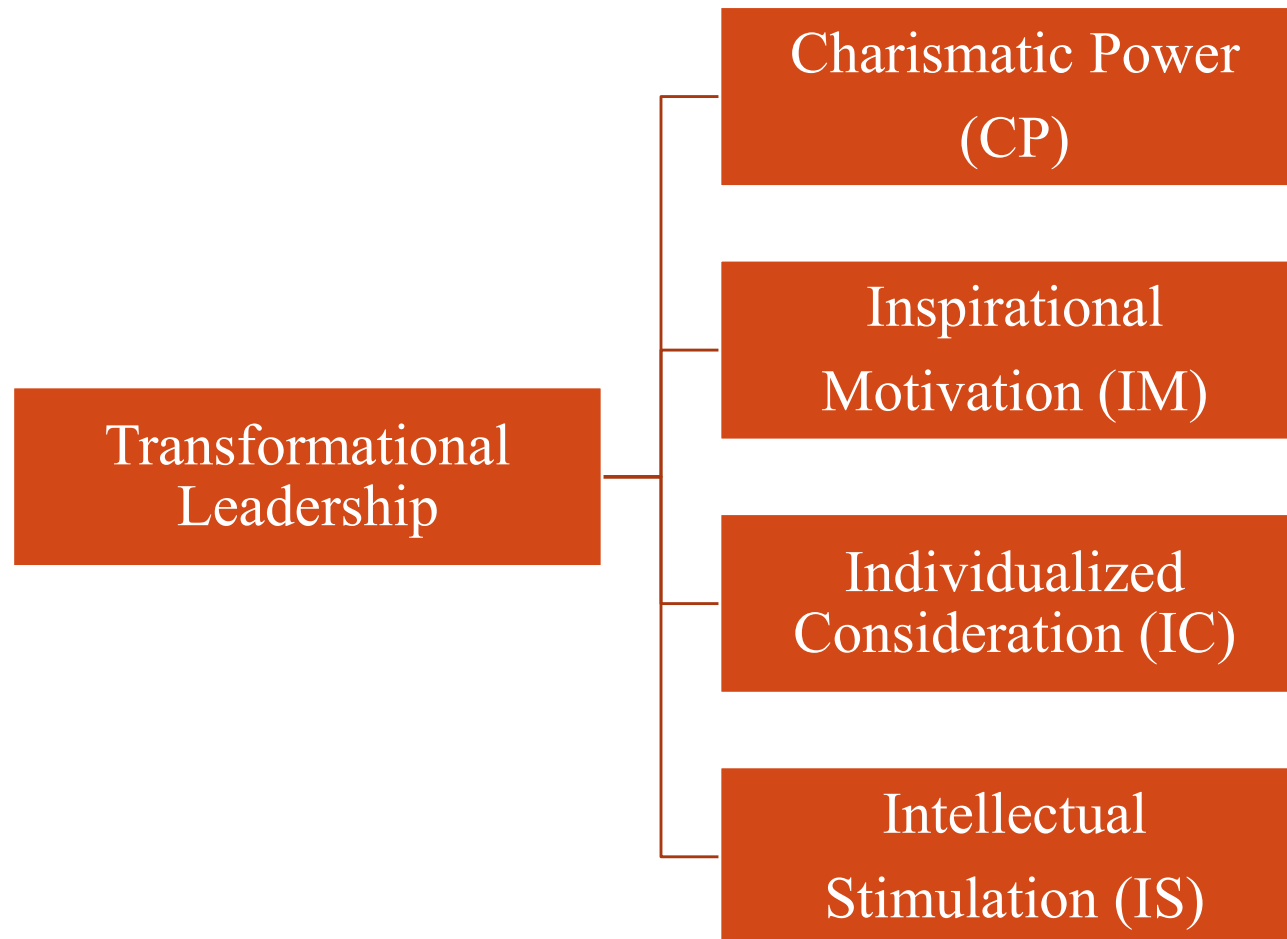
■ Human & Organizational Integration



Source: Froese & Goeritz (2007).

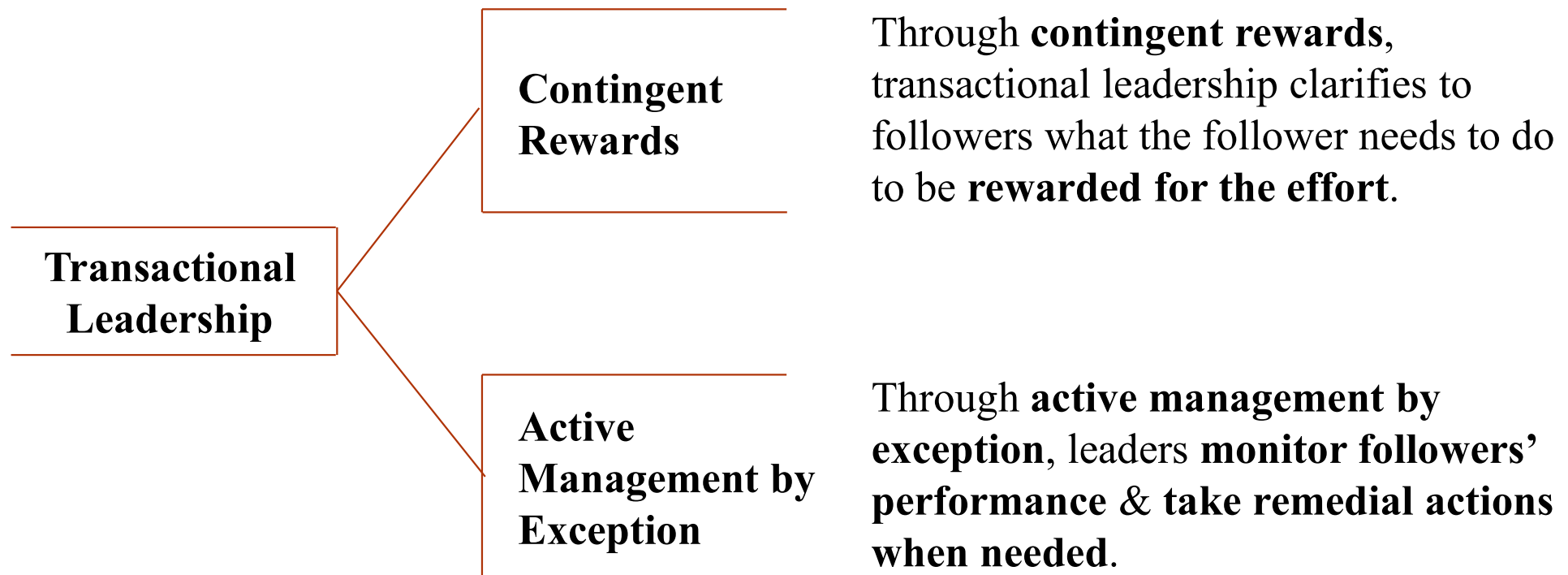


■ Transformational Leaders





■ Transactional Leadership



Source: Avolio et al. (1999).

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Merci beaucoup !

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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