



Interactive Session with Mr Carlos Ghosn

Wednesday, 26th April 2017

Moderator: Good afternoon and welcome everyone to this special occasion, which represents a very tremendous opportunity for the SASIN community and also our partner schools, [inaudible]. Today we are privileged to learn from a legendary executive, Mr Carlos Ghosn, who is the Chairman and CEO of Renault-Nissan Alliance, Chairman and CEO of Groupe Renault, Chairman of Nissan Motor Company Limited and Chairman of Mitsubishi Motors Corporation.

As with his various titles, Mr Ghosn is known for many things. They include pioneering the unique alliance model between Nissan and Renault in 1999, a strategic partnership which is now the world's fourth largest car group and a model which has since been recreated by other manufacturers; leading Nissan from near-bankruptcy to selling a record 5.6 million vehicles worldwide in 2016; leading a turnaround in Mitsubishi's performance this year, as well as refining and diversifying its management; leading the alliance into the future with real partnerships, such as Microsoft, to build the next generation of connected car technologies. I am sure everyone now is excited to learn from Mr Ghosn.

So, let us turn to the first half of the session which would be our moderated Q&A and then followed by the audience Q&A session, which you all will have exclusive opportunities to ask him questions. So, at this juncture, may I please ask Dr Chaipong to please give the first question?

Dr Chaipong Pongpanich: Thank you, [inaudible]. First of all, good afternoon everyone. The first question I would like to ask: you are in the history of turning around companies and now you are the chairman of Mitsubishi Motors, which is on the way to becoming [inaudible]. What attracts you to these companies?

Carlos Ghosn: Well, first, good afternoon to everyone. I understand that we have in the room MBA students first and executive [inaudible]. But obviously, this session is more about sharing experiences, because everybody understands that every company is a specific case, every moment is a specific moment and that is one of the difficulties of people teaching management and MBAs, because I can only share experience of the cases but I cannot give lessons. There is no recipe, there are no formulas; I can tell you that – and this from my long experience into the business – every case is a specific case and the last thing you want to do is to try to implement lessons from the past to a new case you have in front of you.

Now, you are asking a very interesting question: what is attractive in struggling companies? It is very simple, but if you are businesspeople or you want to be businesspeople, businesspeople are moved by opportunity. That's it. This is a new opportunity to do a better job, to bring a new product, to deliver a new service. That's it; that's what business is about. I come and I create a better product, a better service and now I have customers. If you do not get a better product, you do not get a better service, there's no room for you. So, this is what's called an opportunity.

Usually, struggling companies have more visible opportunities, okay? In front of every opportunity, there is a risk obviously; there is no opportunity without the risk. So, when I am talking about struggling companies, struggling opportunity is a prime opportunity. It is an obvious opportunity. Companies say, 'I am in trouble. I cannot make it for whatever reason. I am in front of a problem I cannot solve. I need help.' This is a huge opportunity. Now, if you think you have the solution for that, then it becomes an opportunity. If you do not have the solution, then it's a risk. Then it's a risk.

So, what I can tell you is from this alliance which is made by now three companies, each one at a certain point in time having been in a situation of stress – Nissan in an obvious situation of stress in 1999, even Renault was not such a strong company in 1999, Mitsubishi now joined coming from a very tough year, 2016 – each one of them represented an opportunity to do a better job and in our case the opportunity to do a better job is reinforced by the fact that we're putting companies together, okay? Everything.

Putting companies together is not going to be a solution. Each company has to do its job, but if each company does the job and – and, not or – and it gets support from working with other companies, then the case becomes a better case. So, for me, struggling company equals opportunities. That's for me.

Moderator: [Inaudible] how do you manage to balance between the synergy between the companies and keeping identities of the companies?

Carlos Ghosn: Well, as long as this is not a merger – this is not a merger, which means that you're keeping each company with its own executive committee, each company has its own board, each company has its own headquarters, each company has its own share, going into different markets, each company has separate shareholders – when you are in a situation like this, you don't have to worry about identity because that identity is yours, okay? You worry about identity if you make a merger, because when you make a merger you are melting two different companies into one and then you have to sort of keep them distinct, keep the brand distinct. But when you are keeping the company [inaudible], even though you are across shareholders, you don't have to fight with these because people are going to anyway keep their identity. This is a natural tendency. I don't think the Nissan people have any inclination to lose their identity. For Renault, I don't think the Renault people have any inclination to lose their identity to Nissan or to Mitsubishi. Same thing for Mitsubishi. So as long as you are not in a merger, you don't have to worry about identity. People are going to take care of it.

What you have to worry is about synergies, which means that many people work together. That, you have to worry about. Now, when you are in a merger, you don't have to worry about people working together because they are part of one company. They have one salary, they have one hierarchy, they are in one set of promotions, so you do not have to worry about that. But you have to worry about keeping the identity because some people have the tendency to consider themselves as class one citizens while others are class two citizens and others are class three citizens, okay? We are not in this case. We are in the case where the company exists, there are rules, there are have their own identities, which is fine. Now we need to make sure that they are working together to really reap the synergies, okay? This is the main challenge I have, is to make sure that people overcome the selfishness of being in their own company doing well and are eager to move for higher objectives by working with other companies so they have got synergies.

Dr Chaipong Pongpanich: Now you are managing very large three companies – Nissan, Renault and Mitsubishi – all by yourself. How do you manage your time and attention with these three companies? And more importantly, how do you keep [inaudible] with such a different kind of [inaudible]?

Carlos Ghosn: Well, obviously when you are the CEO of one company, the job is pretty simple because they are one company and you are ultimately responsible for the strategy of the company and you are ultimately responsible for the bottom line, okay? That's it. Nobody cares

about how many hours you work; if you travel, you can travel, all right? Nobody cares about that. At the end of the day, our scorecard is very simple: that at the end of the year, did your company grow and how much money did you make and how much [inaudible], okay? If your scorecard is good, nobody cares. You know, you work 72 hours a week or maybe you work five hours a week. You travel a lot, you don't travel; you are bureaucratic, everybody considers you a bureaucrat, [inaudible] scorecard. But at the end of the day, that is what's good about business. There's no good shoe[?], okay?

In politics, you can always say I was a great chief of this and that because there is no scorecard, so you can always say I did this, I did that. Some people agree with you, other people don't agree with you. But in business, if you have a lousy scorecard, you cannot be a good businessman. There is no good management leading to poor results. It doesn't exist. You can have poor management leading to good results, you can, but if you're lucky. But it's usually not sustainable. Oh, you do it one year, two years, three years but after – you know the truth[?], you see. So usually scorecards and and sustainable good scorecard means [inaudible]. That's very important.

So, when you are a head of one company, your scorecard is obvious. Now, when you are a head of many companies, then the scorecard becomes more complicated because then you want to make sure that each one of the companies which is in the group are doing well – that's number one – and second, that you are managing the obvious conflicts and difference of opinion between the different companies without creating crisis, which means sustainability of [inaudible].

So, my scorecard is very simple. If you consider that Renault is growing well and doing good results, Nissan is growing well and doing good results, Mitsubishi growing well and doing good results and we don't hear about conflicts between the three companies, then I am doing a good job, okay? So, I keep my eyes on the scorecard and this is something which, as you know, in the Japanese culture is very complicated, because Japanese people have a tendency to preserve other people. If you start to look at people and not to your scorecard, you're going to fail[?], okay? So, you need to look at your scorecard first and then eventually the people, because if you start and say, 'Yeah, he is not very good but he's such a good person and he's nice and he's this and he's that,' you will just end up compromising and [inaudible].

From the other point of view, you cannot be a cold-hearted person looking only at scorecard and not looking at people. [Inaudible] consideration, except that in the Asian culture and particularly the Japanese culture, the big risk is you give too much attention to people. They go there with the same major as you, coming from the same school, from the same city, community is important etc., and then at the end of the day you don't notice that by doing this, you're just letting the [inaudible]. So, this is point number two. Culturally, I have to pay a lot attention.

Now, how do I distribute my time on everything I work on? I work on every single thing where I am the only person who can solve. Everything which can be solved by some other people, I cannot. It is very simple, very simple. So, if I consider that a particular problem can be handled by an executive vice present, by a president etc., that I trust this person is going to make the right solution, I am not going to deal with it. On the contrary, if I consider that there is something that I may be the only person who can bring the answer or I have a weak person temporarily in the job, on the job.

So, it is a very volatile and mobile positioning where usually you are on the top rungs whenever is necessary, you can take care of relatively small stuff because there is no one else to do it[?]. Obviously, you just want to make sure that you don't leave questions unanswered for a very long time, because this is another tendency: some questions which are a little bit complicated, sensitive, people tend to push them to the front or leave them to somebody else to decide. Well, the CEO job – or in my case the alliance CEO – needs to say, 'Bring this to the table. We are going to listen to everybody's opinion and we're going to make a decision.' This is also an important job, because you are in this configuration.

Dr Chaipong Pongpanich: How do you make a connection in your companies[?]?

Carlos Ghosn: Well, connection with people is something extremely complicated, extremely complicated. You know, in management – and most of you, I know you have a business executive course here that you run – why some people are interesting and some people are boring? How can you answer this question? I don't know. You have very smart people who are very good intellects, but people don't listen to them because they are boring. You have people who are totally irrational, they can tell you very stupid stuff, but people are [inaudible]. This is a human being, okay? Some people call it charisma, other people call it attractiveness, humanity, empathy, connectivity – I don't know what it is. But what I can tell you is you can't just be smart; you have to be attractive. You have to have both, okay? You can't only be attractive, you have also to be smart because if you are attractive people are going to follow you and you're going to hit the wall, when they see you on the ground they'll say, 'Okay. Let's go somewhere else.' So, you have to be smart and attractive.

So, what is the attractiveness of an executive or a leader? Attractiveness of a leader and the interest of a leader is first empathy – empathy and capacity for him to connect with you, okay? 'He's talking about something that is quite interesting. Yeah, this is something which is meaningful to me. This is something I can understand.' He is giving an answer to something which is [inaudible] but the connection needs to exist at all the levels of the company, that's not the one. You cannot be yourself somewhere talking about very sophisticated stuff and nobody understands. This is the contrary of attractiveness. And you have to talk about things which are meaningful at the moment you are talking about them. This is something you'll learn, this is not something you're going to read in a book. This is something you're going to learn in your company. You're going to learn by communicating with people and you'll learn by systematically listening to what people say and learning what people [inaudible].

See, for example, we are in a room here. We have about 200 people, okay? So, want to tell me: how do you know if people are following or not? How do you know if people are interested or bored? Well, I know that because if I look at the room and I see some people looking at their email or starting to sleep, I know I have lost it. So, I am looking at the public all the time when I am talking and, 'Hey, are they connected or not?' If they are not connected, I am on the wrong topic or I'm not explaining it very well or I'm talking about something which is not in their interest. So, this kind of thing I learned through the public all the time: making sure that you are connected with your public so you don't waste your time and you don't waste their time, which is extremely important.

So again, coming back to what you have said, how to connect with people who are so different, okay. This morning I was visiting the plant of Mitsubishi in Thailand at the port and talked with the workers, blue-collar workers, the engineers, the executives, etc. Very different people,

different types of preoccupations, but there are some preoccupations in the company which are common. Where are we going? What's our performance? How does it compare with other companies? What's our future? What are the [inaudible]? What are our risks? How do we compare our work to other people? This is of common interest. So, when you say how to talk to people of different levels, just make sure you are hitting something which is a common interest even though each one explained it from the very beginning.

Moderator: Speaking of how you connect with different people, as a non-Japanese in these Japanese companies one of the key features that you need to take into consideration is culture. How do you manage these cultural challenges?

Carlos Ghosn: Well, frankly I never had problems to communicate with Japanese people even though I am a foreigner. I never had a problem because I think I had the discipline to always talk about things that are of interest to the Japanese public eye. You have to be careful because Japanese people usually are not very transparent into the way they show their feeling, you know? So, if you are in Latin countries, people show their feeling immediately, so you know if they are bored, interested, happy, nervous – you know it immediately. Japanese people, it is poker face. So, you have to go beyond the obvious. You have to go beyond the obvious and make sure that you are touching things in their interest, and then if you're touching their interest, then you'll see their reaction.

You have to be patient. You have to be patient and also you have to have the discipline to talk about things that they are interested about. We already know exactly what are the interests of the Japanese people. They are interested about their company. They are interested about their community. They are interested about their performance. They are interested about quality. They are interested about pride. They are interested about their brand. All these topics are of interest to Japanese people, so you just need to make sure that you are addressing the point of interest and then the connection takes place.

Dr Chaipong Pongpanich: As we speak to MBA students and business leaders, what do you think are the key challenges for business leaders today and what will be the key challenges of the business leaders tomorrow?

Carlos Ghosn: The challenge of business leaders today is to really make sure that you don't make compromises within the short term and the long term, and it's very risky. This is an area that's risky for a very simple reason. You know very well that social networks are important. The media are important and often the focus of these people is very short term. So, CEOs are going to need to resist this. From time to time you have to make decisions which on the short term are not obvious decisions to be made for the sake of the long term, but not a lot of people are going to follow you. And this is where the risk is: we can be influenced by the social network, by the media, by etc., and then give in a little bit to something which is more leaned to the short term versus the long term. This is I think the biggest risk, particularly for the leaders of organisations of today.

This being said, the short term cannot be neglected because you cannot just set a vision for the long term and have very, very perturbing short term results. So, you need to find a balance, except that this balance is being today [inaudible] and this is where we need to have a correction between that.

I can give you a very simple example: the decision to launch electric cars. Who are the first ones to make this decision? We said we want to go and market affordable electric cars and we made this decision and announcement in 2008. We launched our first electric cars in 2009, okay? The pressure in the short term [inaudible]; people said, 'It is not going to work. It is too expensive. You do electric car because you do not have hybrid. The batteries are a risk,' etc. We had a lot of pressure on the short term; 'You're spending €4 billion for something which is not going to work!' We had a lot of it. Even inside the company, [inaudible].

But today, nobody contests anymore electric cars. Everybody says, 'Oh, this is the future.' Our competitors, who were outselling[?] us in 2008–2009, are all pouring and saying, 'I'm going to be the leader in electric cars. I'm going to be bringing I don't know how many electric cars to the market.' All of a sudden, everybody converted, okay? Short memory, very short memory. So now it seems easy. Yeah, 'That was easy.' In 2008, 2009, 2010, it wasn't easy when you were the only one saying, 'We're going to go in this direction,' and you were bombarded by criticism etc., even inside the company. Now, let's not forget that inside the company, every single decision there are people who don't agree, okay? That's why consensual decision-making is a farce. It doesn't exist. When you make strategic decisions, it cannot be consensual. You have to try to have as many people around the table, you have to explain the decision before you take it, you are going to have to try as much as possible to get people on board, but if you don't, you are going to decide anyway. You cannot wait for consensus, because if you wait for people to all agree, it's too late. When it becomes obvious, it's too late.

So, these are the kind of things in my opinion which are, particularly for a very large company, the main concern for leaderships of tomorrow, particularly when you have a lot of technology, disruptive technology coming our own way which is going to require tough decisions. Again, these tough decisions are going to require a lot of thoughtfulness, make sure that you are not taking the wrong turn, but at the same time you can make the decision when you have to make it.

Moderator: Obviously, the industry has undergone significant changes and a change would require a good vision, which means someone to tell them what's going to happen in the future. So, what do you see as the future of this automotive industry?

Carlos Ghosn: Well, the future as we see it, it doesn't mean that this is what's going to happen because you know very well life is what happens after you have planned for something else. We all know that, okay? So, we start like that, knowing that life is not going to happen the way you plan it, but you need a plan because the plan is what's going to be putting all the people together. That's what's going to align Nissan people and Mitsubishi people and Renault people on this, even though you know that something else is going to happen, but at least you have coherence in action by announcing the plan.

The way we see our industry, we see our industry moving towards more electrification. That's obvious. Practically dominance of electric car in urban regions and cities, more connectivity in the cars, development of connected services around cars and obviously the development of many, many levels of autonomous driving with an appendix which is the robo-taxis. Robo-taxi is becoming the underground[?]; we will move into this direction. But this is not in substitution to; it is in addition to everything else. Obviously, the car needs to be attractive design in external design and internal design, has to be safe. It has to be comfortable. It has to drive

very well, etc. So, on top of everything we're doing today, you have to add electrification, connectivity, autonomy, and robo-taxi, okay?

So, obviously there are a lot of theories coming on here saying, 'Yeah, but you know, car industry is gone. It's over. These are dinosaurs. Now, we're going to have cars which are without a driver.' This is just a caricature[?]. The normal business is going to continue to develop; the 92 million cars that we sell every year are going to continue to sell the way they are, but on top of this, you're going to have robo-taxis. You're going to have shared cars. You're going to have shared services. So, everything which is developing is for me a kind of extension of our industry, additional opportunity and not substitution. That's the way we see it. So, we have to compete on the classical things, but on top of this, we need to organise ourselves to be able to address connectivity, connected services, shared services, different ways to sell our products, particularly with companies like Uber, etc. I mean, these companies, they don't want to manage cars. They don't want to develop cars. They want somebody to do this for them, okay?

So, how this is going to happen, there are plenty of tentatives by many carmakers and by many companies like this in order to develop these kind of services. But the mistake is to think that this is going to substitute the 92 million cars. It's not. This is going to be an addition to it.

Dr Chaipong Pongpanich: You were talking about this disruptive technology like autonomous driving and self-driving cars. What issue do you face in trying to launch these kind of disruptive technologies?

Carlos Ghosn: Many issues, many issues. The first issue is obviously whenever you have a new technology coming to the market like autonomous cars. Autonomous cars is made possible because of the development of different technological breaks. It is recent development of cameras, it is recent development of sensors, the recent development of artificial intelligence, recent development of computing. All of these huge developments made autonomous cars possible today, but it was not possible ten years ago. The calculation capacity of a car with a new sensor is incredible compared to what we had five years ago and we are projecting that this is going to continue to develop within the next five years. There is quite a lot of problems we cannot solve today; we project we're going to be solving them not because we know the solution, because we know that company like Intel and others are going to be able to come with much more powerful chips in two or three years down the road. So, we are anticipating, but some of our suppliers are telling us they will be able to do and then we say, okay, so then these problems we are going to be able to solve.

For example, the kinds of problems that we need to solve because we're talking about challenges, autonomous cars. Autonomous cars, people think – you know, because this is a very trendy discussion, okay – machines are going to replace people, okay? Artificial intelligence is going to replace humans. Absolutely no evidence of that. Zero evidence. So far, there are a lot of cases every day with a lot of artificial intelligence we don't know how to solve. You need still to go to a human being to have these problems solved, no matter how much artificial intelligence we put into the car.

To give you an example, engineers were showing me an example where autonomous cars – or cars without the driver – were driving and it is artificial intelligence, so there's a computer programmed to tell me yes or no. So, computer tells you when there is a car in front of you, you cannot pass it, you have to stop. On top of this, if you have a continuous line, you cannot

cross. So, imagine the car is behind the truck – there's a continuous line – and the truck is stopped. The car stops. A human being will not stop. A human being is going to look to the right, look to the left, look above the truck, he is going to see [inaudible], then he is going to pass the truck. Today we do not have a solution to [inaudible].

So, what we imagine – that's what NASA is doing, for example – is remote control, but maybe with a lot of our people having control from Earth to Mars. Is you go back to your control tower and the car will say, 'Okay, I'm in trouble, I don't know how to move, tell me what to do,' and a human being is going to look through the camera and say, 'Okay, I understand the situation, cross the line. There is nobody coming from the other side, I can see,' etc.

So, there is still the need for human intervention in many cases and all around, okay? But we cannot put these technologies on the market if these technologies answer 99.9% of the cases. When you put the technology on the market it has to solve 100% of the cases and the 0.1% of the most difficult cases are for us very problematic, because we need to convince the regulator that if you put this technology into the car, it's going to be safer than not. This is one of the challenges.

So, people see on the TV, 'Oh, there is an autonomous robot taxi driving in Palo Alto.' So, they can come and say, 'Why don't you have this car?' We have this car, it's a prototype. But we're not able to sell it, because in order to sell it we have to solve a lot of problems which are not solvable[?]. Having a prototype ready to work doesn't mean you are ready to market, because in between the prototype you've solved 95% or 97% of the cases, but the last 3% are the most difficult and before you have solved the last 3% you can't put the car on the market. That's why, for example, I'm driven an autonomous car in the city, in Palo Alto in California, three months ago, but this car is not in the market before 2021 because they said we need four years to solve the last percentages before we can put it on the market.

So, this is one of the difficulties we are facing. Communicating[?] our technology is very easy, very quick, but moving from a prototype to a mass market, particularly when it comes to cars where safety issues are extremely important but the products are very well-regulated, is going to require a lot of patience.

Moderator: Very exciting to hear about the autonomous driving. It seems that this technology will require a lot of supporting structures. I could imagine seeing you using autonomous driving in Palo Alto, but here in Asia-Pacific, how do you see it happening or applying in this market?

Carlos Ghosn: Well, obviously autonomous car and cars without a driver require strict respect of the rules, infrastructure which is very reliable, conductivity which works. So, for the moment, we are not very ambitious to bring these technologies in particular if we don't have that. So, we are limiting ourselves particularly to Yokohama or Tokyo, or Palo Alto in California, or Germany. So, we are limiting ourselves in places where we don't have to worry about code of conduct and infrastructure.

But still, for this technology to come to Southeast Asia or India or Brazil or Middle East or Africa, you're going to need to go beyond that. By definition, an autonomous car is going to respect all the rules. By definition. You can't speed more than the speed limit because the car knows what is the speed limit and no matter what you're going to do, it is going to respect it. It's never going to cross a line which [inaudible]. So, the car needs to be in an environment where everybody in a certain way respects the code of conduct.

Moderator: That is going to be a really big challenge.

Carlos Ghosn: Well, I don't know if you put that in one category, you know? I will leave it to your decision. But I would say we are not going to invest in a country where the environment is a risk; we are going to start by saying the environment is safe. Because we already need to solve the technological problem; we cannot solve that in an environment where we are unsure because [inaudible].

Dr Chaipong Pongpanich: Recently what I have found interesting is that we have seen Nissan is actually having some interesting partnerships with people like Microsoft, like NASA – I think you may have mentioned that. What is your expectation on these partnerships?

Carlos Ghosn: When you are developing a new functionality, you cannot do everything. You need partners. We need chips, we need cameras, we need sensors, we need applications. We cannot develop everything. Some companies are tempted to develop everything, but this is I think of the past. So, you need partners and obviously you have different partners and suppliers – call them suppliers – competing in the different technologies and we have to choose with what technology we want to go. These are tough choices because we are depending on the fact that our supplier is going to be prevailing versus the other suppliers.

These are tough choices. Basically, they are made in engineering and then eventually a company decision is made, but based on engineering, your own engineering, you're going to choose. Tough choices, but you have to make them. You're not sure you're going to always prevail because it's changing all the time. If you have seen, recently Intel bought Mobileye. Well, if you were with Mobileye but buying chips from another company, then you are in trouble because Intel obviously through this association wants to send you the Mobileye technology plus with their own chips. So, it is something which is moving all the time.

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