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The impact of Japanese culture on inter and intra organization supply chains

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The impact of Japanese culture on inter and intra organization supply chains at Nissan

Abstract

This paper examines how national and organizational culture influences supply chain management. To do this it reports on the case of Nissan Motor Company and finds that Japanese national culture had a significant impact on Nissan's inter organizational supply chain. In addition to this, national culture influenced organizational culture which had a substantive impact on Nissan's intra organizational supply chain. This article also analyses how Nissan was able to integrate its internal supply chain through culture change that successfully introduced Anglo business and human resource management practices into a Confusion Asian culture. It concludes that Nissan's organization culture had a greater impact on Nissan's performance than its country of origin. In doing so it counters the resource based proposition that a misfit between national culture and management practice reduces effectiveness and the collorary that a fit between the two is a source of competitive advantage. These findings have implications for international supply chain and human resource management, particularly in high context countries which characterize many emerging economies that are of increasing relevance as supply chains globalize.

Key words: Supply Chain Management, Human Resource Management, Culture, Change, Leadership

1. Introduction

Globalization of supply chains has increased the importance of understanding the impact of national culture on inter organizational supply change management (SCM)[1] (Glassman & Honeycutt, 2002). Globalization makes supply chains more competitive by increasing competition and customer expectations of performance, quality and cost. It also makes supply chains more complex as the cultural distance between suppliers, operations and markets increases (Sartain & Finney, 2003; Ueltschy, Ueltschy & Fachninelli, 2007). Many manufacturers must locate at least part of their operations overseas as importers source from a greater variety of countries which means that the influences of culture must be factored in to SCM (Wang, 2000). This means that managers in supply chains need to understand and appreciate cultural differences (Ueltschy, et al., 2007). This is particularly important in multinational corporations where underlying assumptions of the world and people may be different for organizational divisions in different countries (Friedman, 2007; Schneider, 2006).

National culture can also influence organizational culture which has an impact on intra organizational supply chains. It has been proposed that attention needs to be focused not only

[1] Supply Chain Management (SCM) integrates supply and demand management within and across organizations. This includes coordination and collaboration with channel partners, including suppliers, intermediaries, third party service providers, and customers. SCM integrates supply and demand management within and across companies (Council of Supply Chain Managment, 2008; Potoker, Soucie & Jain, 2007).

on inter organizational relationships but also on intra organizational relationships[2] that may have a greater impact on the supply chain, with Kirby (2003) proposing that the number one concern isn't creating strategic alliances with other companies but creating alliances internally between silos of a company with few organizations achieving internal integration. In support of this Barringer and Harrison (2000) propose that there is a need to develop a clearer understanding of the management practices and techniques that facilitate the success of intra organizational relationships and Koulikoff-Souviron & Harrison (2007) found that supply relationships tend to be taken for granted at operational levels and were tested in 'failure mode' when there was a poor response to facility breakdowns or quality problems.

The importance of organization culture to SCM was identified by Schneider's who proposed that culture is the glue that holds organizations together by providing cohesiveness and coherence amongst its parts in the intra and inter organizational context. This has implications for Human Resource Management (HRM) which is influenced by organizational culture (McAfee, Glassman & Honeycutt, 2002; Schneider, 2006) and can influence organizational culture (Ulrich & Brockbank, 2005). Ulrich and Brockbank propose that the HRM function plays a significant role in embedding and maintaining organization culture through the alignment of HRM practices and processes to the cultural capability required to meet the organizations business strategy and environment. However, few studies have focused on the contribution HRM can make to the success of SCM (Gowen & Tallon, 2002; Wilkinson, Marchington & Daleuman, 1994). Most studies have focused on the role of information technology in supply

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[2] Challenges within the organization have been termed intra organizational and those between supply partners termed inter organizational (Scarbrough, 2000). Inter org relationships cover "the relatively enduring transactions, flows and linkages that occur among or between an organization and one or more organizations in its environment." (Oliver 1990, p.241).

chain success (Scarbrough, 2000) and it has been found that managers have paid limited attention to human resources (Millikin & Fu, 2005). Scant attention has been given to the HRM aspects of collaborative relationships (Grimshaw & Rubery, 2005) and there is a need to understand the way that supply chain partnerships are managed in respect to HRM (LeBlanc, 2000; Lincoln & Ahmadjain, 2000).

In this paper I examine how national culture influences inter organizational and intra organizational SCM and consider how organizational culture can become independent of national culture to improve supply chain performance. To do this I report on a Japanese case of Nissan Motor Company and its transformation of upstream Keiretsu supply partners, intra organizational supply chain links and downstream distribution, which had brought Nissan to near bankruptcy in 1999. This case is of particular importance to our understanding of SCM in the current environment. Firstly, the high context Japanese culture represents many of the confusion cultures of increasing relevance to global supply chains, including China. Secondly, there are significant cultural distinctions between the Japan and the United States (US), coupled with the continued importance of business relationships between these two countries (Griffith, Myers & Harvey, 2006). Thirdly, Japanese SCM has been the worldwide gold standard for SCM particularly in the automobile industry (de Koster & Shinohara, 2004) and has resulted in shorter throughput times, lower inventory levels, shorter cycle times and higher quality products (Schonberger, 1982). However, more recently, empirical research has questioned its effectiveness particularly when it is implemented in incompatible cultures. In particular, Koster and Shinohara's (2006) research indicates that Japanese logistics firms in Europe perform poorly because of a clash of cultures underlying their operations and they recommend that Japanese organizations should adapt to Western business practices.

This article proposes that culture has an impact on inter and intra organizational SCM. To examine this proposition I firstly consider the impact of national culture on SCM in general before looking at the Japanese culture specifically. Secondly, I report on the case study of Nissan Motor Company. Specifically, I study how Japanese national culture influenced Nissan's inter organizational supply chain. I analyze the SCM problems before considering the solutions that challenged business traditions derived from Japanese culture. I then examine how Japanese national culture impacted on Nissan's intra organizational SCM, creating problems of poor accountability and silos at the functional and national level before examining how Nissan's leadership integrated its internal supply chains through culture change. Thirdly, I draw conclusions on the impact that national culture can have on inter organizational supply chains and on intra organizational supply chains through the mediator of organizational culture. I also comment on how organizational leadership can improve inter and intra organizational SCM. Finally, I consider the specific implications for HRM in contributing to SCM effectiveness.

2. The impact of culture on SCM

One of the important factors in effective and efficient SCM is to get supply chain members to collaborate, which is referred to as supply chain integration. Coordination in areas such as workflow, production and operations procurement, produces production efficiencies, faster response and speed to market and improved service. Collaboration in areas such as forecasting and design lowers costs through workflow coordination, higher capacity utilization, inventory reductions, faster product cycle times and adoption of new models and technologies. Transparent and accessible information sharing leads to early problem detection, faster response and can create a virtuous cycle of increased trust and confidence which leads to more collaboration. Collaboration also reduces the 'bullwhip' effect where distorted information, such as inaccurate demand data or forecasts from customers have a negative impact upstream through high buffer inventories, poor customer service, missed production schedules, wrong capacity plans, inefficient shipping and higher costs. This effect is most likely when supply chain members make ordering decisions based on self interest or do not have accurate demand information from adjacent supply chain members (Ueltschy et al., 2007).

Culture[3] is important to the integration of supply chains and has been described as the 'glue' that holds organizations together by providing cohesiveness and coherence among its parts in the intra and inter organizational context (Schneider, 2006). For example, a change in mindset from adversarial to collaborative company interaction can improve organizational performance (McCarter, Fawcett & Magnan, 2005). There is research evidence that national culture[4] influences relationship resources (Dyer & Singh, 1998; Griffith & Harvey, 2001; Griffith, Myers & Harvey, 2006). In particular research by Griffith et al. (2006) found that national culture moderated the relationship between trust and commitment which increased the knowledge resources of information sharing and problem resolution.

It is also proposed that different types of culture may have a greater propensity for collaboration. The Global Leadership and Organizational Behavior Effectiveness Research Project, known as GLOBE (2008), builds on Hofstede's (1993) seminal work on culture to

[3] Whilst there are many definitions of culture a common theme in the definition of culture is the presence of shared values, beliefs, assumptions and patterns of behavior or the "collective programming of the mind" (Schein, 1992)

[4] 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. This provides an understanding of how societies manage exchanges.

provide a thorough and more recent examination of the inter-relationships between societal culture, organizational culture, and organizational leadership from the middle management perspective. They identify three clusters of countries with similar cultures including the 'Anglo culture' cluster (Australia, Canada, Ireland, New Zealand, White South Africa, UK, and USA; the 'Southern Asia' cluster (Iran, India, Thailand, Malaysia, Indonesia, and the Philippines); and the 'Confucian Asia' cluster (China, Hong Kong, Japan, Singapore, South Korea, and Taiwan). This latter cluster has been heavily influenced by China and even Japan has had rich cultural interactions with China despite the geographical separation of these two countries (Gupta, Hanges & Dorfman, 2002). Confucian cultures differ from other cultures in that they are 'high context' which means they are characterized by an emphasis on networks and trust (Hall, 1976; Nguyen, Heeler & Taran; Sun, Horn and Merritt, 2004; Ueltschy et al., 2007). This finding is consistent with Hofstede (1993) who found that Japan maintains strong, long-term social ties among societal members and works toward feeling harmonious interdependence. Japan has a preference to belong to groups and place group interests above their own individual interests because of their own long-term interest in uncertainty reduction in relationships (Ashkanasy, Trevor-Roberts & Earnshaw, 2002; Griffith et al., 2006). Japanese society has developed systems of mutual monitoring and sanctions to curtail self-interested behavior. In contrast US firms minimize social interdependence in their interactions with others (Hofstede, 2001; Griffith et al., 2006).

The Confusion Asian cluster is of significant interest to SCM because it accounts for twenty five percent of world population and twenty six percent of world GNP . This is likely to increase in the next century given the high rate of growth in Mainland China and most of the developing markets in the world (Ashkanasy et al., 2002; McAfee et al., 2002; Nguyen, Heeler & Taran, 2007; Sartain & Finney, 2003; Ueltschy et al., 2007).

Low context cultures, such as the US, have a transactional 'win lose' approach that puts business before relationships. This leads employees to move from one employer to another and companies to keep their independence, with the relationship between organizations being regulated by contracts. Because high context cultures, such as Japan, place great importance on trust, relationships and long term commitment (McCarter et al., 2005: Millikin & Fu, 2005; Ueltschy et al., 2007) they engage in relational, rather than transactional, contracting and trust is the basis of business transactions (Williamson, 1985). The relationally integrated supply chain is characterized by long-term relationships that reduce fear, uncertainty and doubt amongst channel members which reduces conflicts, delivers 'win win' and improves cost and time performance (Palaneeswaran, Kumaraswamy & Ng, 2003) and can proffer the advantage of vertical integration without the risk of ownership (Ellram & Hendrick, 1995). This evidence would suggest that many organizations should give up their traditional adversarial approach to dealing with suppliers (Wong, 2001), however, Low (1996) argues that the relationship approach is idealistic and utopian and Walton (1996) argues that few successful long-term channel partnerships have been documented. Similarly, 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. Finally, Koster and Shinohara's (2006) research shows a lack of performance excellence of Japanese logistics firms in Europe. In particular, Japanese-owned logistics companies in Western Europe struggle to reconcile efficiency and quality. Their study of 65 European manufacturers' distribution centers in 2001 included twelve American and fourteen Japanese organizations and found that the Japanese logistics subsidiaries failed to deliver superior logistics support because of a clash of cultures underlying their operations. In the 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 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. The authors conclude that the Japanese subsidiaries needed to adapt to Western business practices and take the conditions and mores of the country where they were doing business into greater account. This indicates that there is a need to better understand the impact of national culture on supply chain behavior and the subsequent impact that this has on supply chain effectiveness. Japan's high context or collectivist culture has resulted in three business practices which will be discussed below.

2.1. Keiretsu – Affiliated Organizations

Keiretsu is the name given to close tie or affiliated organizations that are characterized by close and long-term relationships; high trust and mutual disclosure of information; and the transfer of knowledge and people. Shukko is the term given to the transfer of employees between firms that enables close cooperation and smooth operation. The way these firms cooperate in investment in knowledge and other assets has been admired and copied. The difference between keiretsu logistic and third party logistics is that people work together as if they belong to the same firm with a tacit knowledge of each other. There is frequently a capital relationship where manufacturing companies maintain equity stakes in partner companies because it is believed that this promotes loyalty and cooperation between members of the

Keiretsu value chain. Cross shareholding gives the investing firm some governance and creates a full vertical integration (Koster & Shinohara, 2006; Millikin & Fu, 2005).

Specific positive outcomes found include more and earlier supplier participation in customer designs, higher quality components and higher reliability of deliveries (Nonaka & Takeuchi, 1995). Exchanges of information, personnel and linked sales keeps rivals and predators at bay. However, the disadvantages of Keiretsu have also been discussed. In particular the cost incurred for quality of product and service assurance through Keiretsu is not justified from a short-term perspective. In addition to this, keeping exclusive suppliers and distributors is burdensome for the core firm because the survival of dependent firms rests on them (Lamming, 2000).

2.2. Amae – Mutual Interdependence

Womack et al. (1990) argue that Japanese Supply Chains are characterized by the concept of Amae, or a focus on mutual interdependence. This concept is derived from a Japanese emphasis on collectivism which leads to 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 et al., 2003). In the workplace this translates into cultural beliefs that there should be no winners and no losers with performance being considered a collective enterprise in which no one should be abandoned. This leads to practices such as advancement by seniority and unlimited public support for non competitive sectors and companies. Young graduates are recruited after university, often based on the recommendation of alumni. Their starting salary is low because promotion and reward based on seniority guarantees future raises to retirement. The collective mindset also influences distribution. In Japan car salesman productivity is weak compared to America and Europe but customer brand loyalty is strong. Sales tend to be based on personal relationships between the seller and the customer which is maintained over years through house calls, after sales service and unbroken contacts (Ghosn & Ries, 2003).

Ghosn & Ries (2003) propose that Amae has some negative outcomes. Firstly a lack of connection between performance and promotion discourages individual initiative and nurtures blind hierarchical subordination and cliques. Secondly, there is no discipline in financial markets because the Japanese government channels Japan's vast savings to corporations at low interest rates and bails out troubled organizations based on a long standing partnership with business to ensure employment and expand exports in to world markets.

2.3. Ringi - Proposal Circulation

Lifelong employment is only compromised by major mistakes which results in risk aversion and a written communication and decision making process known as 'ringi' or proposal circulation system in which the objective is consensus (Koster & Shinohara, 2006). Consequently, employees use informal meetings and coalitions to avoid failure. Employees poll opinions before formal meetings to test propositions and then select those that are most popular. They also align their position with the ultimate decision maker so no one individual can be identified later for originating a faulty position. The ringi system means that oral communication is not regarded as an important method of exchanging opinions. In particular Japanese tend to use vague expressions in their conversations (Oe, as cited in de Koster & Shinohara, 2006). Consequently, they consider that matters can only be examined precisely by written documents (Nakane, cited in de Koster & Shinohara, 2006). A consequence of the ringi system is slow decision making which can result in blame diffusion and shifting which creates a 'silo' mentality between intra organizational functions (Koster & Shinohara, 2006; Millikin & Fu, 2005).

3. Nissan[5] and Supply Chain Management

In 1999 Nissan was the number 2 in the Global and Japanese automobile industry with 140000 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. In particular, Nissan's margins were very low and it was estimated that Nissan gave away $1,000 for every car it sold in the United States. The financial situation was critical with continuing losses resulting in approximately 22 billion dollars in debt.

A takeover by Renault put Carlos Ghosn in the position of Chief Operating Officer (COO) in 1999. Ghosn found substantial problems in Nissan's inter and intra organization supply chain. In particular, purchasing costs were 15% to 25% higher at Nissan than at Renault and its plants were operating at half their capacity, with its Japanese factories able to produce one million more cars than were sold. Whilst it looked as though Nissan's problems were financial, Ghosn proposed that its most fundamental challenge was cultural and announced the Nissan's Revival Plan in October, 1999 which delivered substantial cultural change.

I use the Nissan case to examine how national culture impacts on organizational culture to influence supply chain performance. In doing so I demonstrate the impact that organizational culture has on supply chain integration. To do this, I firstly examine how the national culture

[5] Archival data on the Nissan Motor Company case was gathered from a number of published sources including Alliance Facts and Figures (2008); Carter, Fawcett & Magnan, 2005; Ghosn (2002); Ghosn & Reis (2003); and Millikin & Fu (2005).

influences organizational culture, which in Nissan's case resulted in inter and intra supply chain problems. I then use Schein's (2004) model of culture change to demonstrate how organizational leaders can effect culture change that has a positive impact on supply chain performance.

3.1. Nissan's Inter Organizational SCM problems

Nissan's SCM problems were both upstream with their suppliers and downstream in distribution. This section will examine how Japanese traditional business practices impacted on inter organizational supply chain problems and how Nissan addressed these problems.

3.1.1. Supplier Problems (Keiretsu)

Nissan's Keiretsu arrangements tied up capital and had a negative impact on purchasing costs. Nissan had plenty of capital; however, it had put its earnings into equity in its Keiretsu suppliers. Nissan had more than four billion dollars invested in shareholding arrangements with 1400 Keiretsu companies. Its investment in non core financial and real estate investments produced a permanent shortage of cash. The majority of these shareholdings were far too small for Nissan to have any managerial leverage on the companies it had invested in, even though the investments were often quite large. Nissan was imprisoned by reciprocal stock holdings in its Keiretsu that had woven Nissan in to a "stout web of permanent financial, human and business relationships" (Ghosn & Ries, 2002, p. 109). These dependent external networks with a large number of uncompetitive suppliers increased purchasing costs. This was significant given purchasing was 60% of Nissan's manufacturing expenditure. For these suppliers Nissan was the dominant customer and senior management positions were held by retired Nissan executives.

Keiretsu partners did not make a clear enough distinction between Nissan as shareholder and customer. Consequently, there was a need to dismantle the Keiretsu and let market forces work.

In addition to this, Nissan's relationship with suppliers was not integrated. Suppliers did not understand Nissan's vision, strategy or priorities which resulted in a break down of their relationships. The supply system was fragmented and Nissan's forecasts were consequently unrealistic.

3.1.2. Supplier Solutions

Ghosn focused on cost reduction and the sale of unessential assets by dismantling the Keiretsu network and increasing flexibility with suppliers. Nissan had too many suppliers and gave each small volume orders that didn't allow them to achieve economies of scale. He reduced the number of consolidated affiliates from 67 to 25 in less than 3 years. This improved Nissan's bargaining power with a reduced number of suppliers, achieving a 20% reduction in purchasing costs.

This controversial move challenged the traditional dependency mentality, however whilst Ghosn eliminated Keiretsu investments he maintained customer-supplier relationships with former Keiretsu partners by establishing a panel of approved Nissan suppliers. To achieve this he rigorously evaluated 1200 suppliers and introduced competitive bidding, encouraging Japanese suppliers to seek foreign partners to enhance global capability. Whilst many of Nissan's suppliers incurred losses in 2001 they also became more efficient.

In addition to this, Ghosn changed purchasing process by sourcing centrally and jointly with Renault to get volume discounts. In 2001 a Renault Nissan purchasing organization was established in Paris to leverage global purchasing power and increase the percentage of globally sourced parts.

3.1.3. Distribution Problems

Nissan's distribution networks were similarly enmeshed and dysfunctional. Nissan's dealerships were losing money and had high turnover. The demoralized sales network complained about not having good products to sell but could not suggest the kind of products they thought the company should put on the market. In contrast, Toyota's dealerships were independent and engaged in production. In Confucian societies respect is given to elders leading to a tendency to be gentle with people who are at the end of their careers by easing them out slowly (Ghosn & Ries, 2003). Consequently, Nissan executives were often assigned at the end of their careers to the Keiretsu supplier and distribution organizations. Those in distribution subsidiaries behaved like ordinary employees, not entrepreneurs who were responsible for increasing Nissan's market share and profits and performed a more social than operational role. In addition to this, there were senseless geographical overlaps. The organization was fragmented and there was a need to consolidate small inefficient dealerships into larger ones.

3.1.4. Dealership solutions

Ghosn eliminated the geographical overlaps in distribution, closing more than 10% of the 3000 dealerships. The focus was on dealerships whose territories overlapped and who fought price wars with each other. Ghosn could not find anyone to buy the dealerships and instead focused on revitalizing them by helping them to become more organized and transition into good independent and entrepreneurial dealerships. Firstly, he established more direct and open communication with the sales network which had a motivational impact. Secondly, he changed the reward system by introducing success measures that were based on increasing market share, network profitability, customer satisfaction and customer purchase intent. This resulted in Nissan selling every unit they produced without incentives.

3.2. Intra organization SCM problems

Nissan's intra organizational SCM problems can be grouped in to two main areas. Firstly a lack of accountability indirectly impacted on supply chain integration. Secondly, the organization operated in functional and national silos which had a direct impact on supply chain integration. This section will examine how Japanese traditional business practices impacted on intra organizational supply chain problems to fragment Nissan's internal supply chains.

3.2.1. Accountability

Ghosn found that Nissan's plans were qualitative and not prioritized and no one could give him a list of Nissan's problems in order of importance. There were no timetables, deadlines, allocated resources or names or teams allocated to each goal. The cultural norm of placing power in 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.   Accountability was also dissipated by Japanese "advisers" or "coordinators" who had no operating responsibilities at all. The adviser, a familiar figure in foreign subsidiaries of Japanese companies, originally served as a consultant helping in the application of innovative Japanese management practices in foreign subsidiaries, facilitating the dissemination of Japanese best practices in management or production. Familiarity with these practices had eliminated the usefulness of advisors but instead of making them redundant they continued in these roles and undermined the authority of operational line managers.

The Japanese culture of lifelong employment that generated consensus to avoid mistakes also dissipated accountability. 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.

Other issues related to accountability were a lack of profit focus and sense of urgency. Managers were unaware of their own results, had no quantified goals and information was based on scant data. The Chief Financial Officer lacked experience and had no power or access to information and financial functions were delegated to subsidiaries rather than centralized. In particular, they were selling cars without knowing if they were taking profits. A subsequent analysis of costs showed that of the forty-three 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 fifteen percent.

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 were up to ten times longer than necessary. Whilst the crisis was clearly outlined in the monthly results each year management had been unable to react.

Japanese cultural assumptions played a role in creating a culture with poor accountability, no profit orientation or sense of urgency. Firstly, the Japanese government's tradition of bailing out large, troubled employers influenced Nissan to pay no attention to profits as money was not considered rare or costly. Secondly, the tradition of lifelong employment which was only threatened by mistakes and disharmony led to consensus decision making which, coupled with the assumption that conscientiousness and co-operation could achieve operational efficiency, contributed to complacency. Japanese managers were good at reaching consensus and working cooperatively within their departments but there was hardly any discussion at senior management and board meetings. Debate was absent and no one raised questions or objections because proposals were carefully worked out prior to meetings. There was a norm of 'saving face' and employees felt they could not criticize their own products. Consequently there was a reticence about sharing results and looking at reality which prevented supply chain integration and contributed to organization silos.

3.2.2. Silos

Nissan was a disjointed and confused company with everyone pulling in different directions. The compartmentalization of the company was striking because Japanese industry was known for team work and its employees should have been comfortable working in teams. Nissan's parts had no coherence because there was no vision, strategy, priorities and measuring tools. Nissan was divided into territories that had no cross functional or border orientation. In particular, problems were viewed from a functional perspective. For example, the Engineering department was large, cohesive and powerful and viewed purchasing as a supporting function. Purchasing could not challenge the engineering department and consequently engineering specifications increased purchasing costs. Engineering had a culture of quality which was stricter than those of its competitors and resulted in supplier costs that were 20% higher with no discernable 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. Culture norms that had been successfully used to deliver quality and productivity through tight control over operations also inhibited risk taking and too much time was spent on concepts and details with no urgency to implement because of the need to avoid failure.

A culture of protecting career advancement led to finger pointing rather than acceptance of responsibility. A standard response to the organization's problems was that it was someone else's fault. Whilst employees knew there was a problem with the company they always believed that their departments were operating optimally and other departments and employees were the source of the problems. For example, the sales department's inability to sell cars was blamed on product planning in the engineering department for not providing attractive cars. Similarly, Nissan Europe and Tokyo blamed each other. Nissan's employees' desire to protect their own territory and save face led to a failure to communicate and hidden information. Promotion based on seniority led to blind obedience to hierarchy leading to behind scenes turf battles over delegation of responsibility.

The same pattern was evident in the company's European and North American units who operated independently, sharing little information and expertise with the rest of the company. Each unit had its own president and regional team, who were supposed to build links to corporate headquarters and thus to the rest of the corporation. In reality, the regional presidents and their teams were building walls, and there was little cooperation between different parts of the company. Consistent with a culture of blame Tokyo blamed Europe, and Europe blamed Tokyo.

Nissan achieved a successful turnaround by addressing issues of accountability and silos to integrate its supply chains. It halted the 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. The next section will consider how Nissan achieved this through a leadership that transformed its culture.

3.3. Inter organizational supply chain solutions

The important role of leadership in effective SCM has been demonstrated. It has been proposed that a general management focus and cross experienced management teams are able to facilitate supply chain integration because they develop an appreciation for the needs and wants of customers; are familiar with product and value added process; have a better perspective of what goes on in different functional areas; learn the language spoken in each area; establish relationships with other managers; and understand role of outside suppliers (McCarter et al., 2005; Millikin & Fu, 2005; Ueltschy et al., 2007). Secondly, they are also able to understand the roles and challenges inherent in managing diverse value-added activities throughout the organization and these managers are better able to resolve supply chain problems that often depend on shared understandings of the problem. Thirdly, they can also reframe system dynamics so that short-term individual interests and long-term sustainability and development become more balanced and integrated (Morgan, 1989).

The quality of management and leadership also seems connected to organizational culture which is linked to effective SCM. It has been proposed that supervisors are the bearer of the organization's culture; managers understanding of organization and national culture is important to SCM (Aryee, Luk & Stone, 1998); and national culture may be deterministic of management practice (Gerhart & Fang, 2005).

Whilst national culture changes slowly organization culture may be consciously changed (Hofstede, 1993). Schein (2004) advocates six cultural embedding and reinforcing mechanisms that generate the assumptions that underlie an organization's culture. It is proposed that leaders who apply these mechanisms will encourage cultural behaviors and norms that lead to culture success and failure. This section applies Schein's (2004) primary leader mechanisms of attention focusing, reaction to crises, resource allocation, role modeling, rewards allocation and criteria for selection and dismissal, to explain how COO, Carlos Ghosn, transformed Nissan's culture to produce outstanding results in its inter and intra organizational supply chains.

3.3.1. Reaction to crises addressed poor accountability

This mechanism concerns the way that leaders react to a crisis. An organizational crisis tests a leader's values and makes them visible. Because of the heightened state of emotion during a crisis the values and underlying assumptions are vividly remembered and help create new norms, values and working procedures.

When Ghosn joined Nissan the organization was in crisis. Ghosn approached the crisis with consultation, focus and calm determination. Firstly, whilst Ghosn was non Japanese and non Nissan, he was clear that Nissan had to be changed from the inside. He did not take on the role of missionary and determined not to change Nissan but to involve Nissan's employees in a revival, delivering a "bridge building approach, founded on reason but on emotion as well" (Ghosn & Ries, 2003, p. 90). This embedded the cultural value of accountability as Nissan management and employees were going to take responsibility of fixing the problems. He approached the change with complete transparency stating that his "cards were on the table" (p. 110) which embedded the cultural value of accountability and responsibility and challenged the old cultural values of blame and complacency.

3.3.2. Resource Allocation addressed silos

Resource allocation concerns the leader's decisions on where and how to allocate resources. Ghosn focused on the implementation of permanent and temporary cross national and cross functional teams as the main intervention to integrate its internal supply chains. This approach modeled team work and focused on bottom line performance and was the main mechanism for addressing Nissan's cultural problems of lack of accountability, profit orientation, sense of urgency and silos that led to poor internal supply chain integration.

Firstly, to promote the value of accountability Ghosn gave advisors, whose role had become obsolete, positions with direct operational responsibility. He also defined the roles of all other Nissan managers so that everyone could see exactly what their contributions to Nissan were.

Secondly, to address the issue of silos at the organizational level, teams were introduced. Cross Company Teams (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. At the regional level Ghosn eliminated the post of regional president and replaced it with a team. Four management committees were established that met once a month to supervise Nissan's regional operations. Each committee included a representative of the major functions of manufacturing, purchasing, sales and marketing and finance. Ghosn chaired the regional management committee for Japan. Ghosn also insisted on the inclusion of an executive vice president in charge of purchasing and on clear definitions of the responsibilities of the different committee members which promoted clear accountability. Cross Functional Teams (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 projecting difficult messages across the entire company. The CFTs reported to Nissan's nine member executive committee and whilst 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, 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 and value add. Team selection was based on both vertical and horizontal representation. These were 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. A pilot was appointed to each CFT. This was a role for a senior manager with front line 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 efforts too narrowly and these two senior voices would balance each other so no single function's perspective would dominate. Cross functional teams meant that no one functional perspective dominated.

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 changing meeting behavior. 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 dissention 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 shape the decision and also an optimum 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.

3.3.3. Leader Attention addressed silos

This mechanism concerns what leaders pay attention to and focuses on the issues that capture the attention of the leader, including what is criticized, praised or asked about. It communicates to employees what values are important.

Ghosn was personally involved in the selection of CFT pilots to ensure they were an executive with potential and high credibility. This demonstrated the importance of Nissan's cross functional teams and the values they promoted. It also gave him an opportunity to have a close look at the next generation of Nissan's leaders. Secondly, 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. Thirdly, 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.

3.3.4. Role modeling addressed accountability and silos

Role modeling is concerned with how leaders 'walk the talk'. Leader behavior communicates cultural assumptions and values and is emulated by employees.

Ghosn role modeled the behaviors he was promoting through the team structures that he had put in place. He also personally role modeled teamwork and was keen not to give the impression that he was part of a French clan. In the Nissan Revival Plan Ghosn demonstrated the value of accountability. It was, in comparison to previous plans, very precise, extremely factual and highly quantified in relation to performance and deadlines. Ghosn 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. In particular, every number had to be thoroughly checked. He also expected people to personally commit to every observation or claim they made. He role modeled this behavior when he announced the revival plan, declaring that he would resign if he failed to accomplish any of the commitments that had been set (Ghosn, 2002). Breaking with tradition, Ghosn modeled transparency through his communications with the press saying "I tried to be myself. I tried to assimilate, but without phoniness. In the end they saw that I was pretty transparent" (Ghosn & Ries, 2003, p. 83). He 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 a thousand people in this period.

To address Nissan's avoidance of reality Ghosn spent most of the spring of his first year examining Nissan from every angle. He gathered information "in offices factories, and technical centers; in conversations with suppliers, dealers and customers" (Ghosn & Ries, 2003, p. 92). In addition to this, he held executive committee meetings on test tracks and management tried out their competition's cars. Nissan's management had traditionally been sourced through personnel so this ensured they developed knowledge of the supply chain, including how cars are built; their technical characteristics; and the time taken to develop new models. This facilitated horizontal and vertical integration of the supply chain and role modeled the importance of a broad understanding of the business and facing reality.

Ghosn also 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. He "tried to jump over everything that looked like a wall, everything that could be seen as an obstacle to the changes I wanted" (Ghosn & Ries, 2003, p. 141).

Finally, Ghosn role modeled breaking with tradition which was necessary to implement change. In particular, he was the first non-Japanese COO of Nissan. A culture clash between his French leadership style and Japanese employees was anticipated but did not eventuate, demonstrating that radical change could work. He also gave a live interview on television with a popular news announcer even though Nissan's communications department believed he should go to a more respectable public network.

3.3.5. Allocation of rewards addressed accountability

Allocation of rewards is defined as how a leader communicates priorities, values and assumptions by linking rewards and punishments to desired behaviors.

Nissan had to make a break with Japanese tradition to address the issue of accountability that had resulted in no sense of urgency or profit orientation. It made this change by using the reward system as a lever for cultural change. Breaking with tradition Nissan challenged the cultural norm of guarantees of life long employment by reducing Nissan's workforce by fourteen percent (21,000 jobs). Nissan reduced its production capacity by closing five factories because utilization was only fifty percent. This was a taboo in Japan's dependent society because factories support the people who live around them.

A performance based incentive system replaced pay and promotion based on presence or long working hours, tenure and age rather than actual performance. This bred complacency and rewarded consensus and cooperation. It also delayed decision making and diffused accountability which impacted negatively on Nissan's performance. 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. He stated that those who were not transparent would be given fewer responsibilities. This meant there were no surprises because problems were discussed and reality faced.

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. An example of how results were rewarded is when Ghosn accepted the entire 2002 union wage demands to send a message to employees that had supported Nissan's revival plan.

3.3.6. Criteria for selection and dismissal addressed accountability and silos

Nissan took pains to ensure their new hires were credible and aligned to the changing Nissan. He states that "I wanted competent, enthusiastic, open minded people capable of engaging in real dialogue" (Ghosn & Ries, 2003, p. 88). For example, when product planning needed to break free from its subordinated role to engineering Shiro Nakamura was selected because he symbolized Nissan's revival. He was Japanese but also had a history of working in 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 design teams.

4. Conclusion

The primary conclusion that can be drawn from this case analysis is that Japanese national culture had a significant impact on Nissan’s inter organizational supply chains. In addition to this, it influenced organizational culture which had a substantive impact on Nissan’s intra organizational supply chains. Nissan’s leadership was able to address the problems in its inter and intra organizational supply chains. In particular, its organizational culture was consciously changed to integrate its intra organizational supply chain. This produced a major turn around in organizational outcomes consistent with Ketchen & Hult (2007) who propose that best value supply chains are a means to competitive advantage and superior performance. This case demonstrates that organizational culture can become independent of national culture with conscious management, countering the resource based proposition that a misfit between national culture and management practice reduces effectiveness (Barney, 1991) and the collorary that a fit between the two is a source of competitive advantage (Gerhart & Fang, 2005). Nissan's organization culture was more important to its performance than its country of origin with Ghosn & Ries (2003) proposing that as Nissan’s North American, European and Japanese employees became more alike than they were different as its cultural identity strengthened. This is further supported by the fact that Toyota and Honda had managed to do quite well in the same country context. So this article concurs with Lou Gerstner who said of his dramatic turnaround of IBM "The thing I have learned at IBM is that culture is everything" (Lagace, 2002). This paper supports Schneider’s (2006) assertion that culture is the glue that holds organizations together by providing cohesiveness and coherence amongst its parts in the intra and inter organizational context and McCarter et al.’s finding that a change in mindset from adversarial to collaborative company interaction can improve organizational performance.

This article also supports the research findings of Nonaka and Takeuchi (1995) that Japanese SCM practices are not always optimum. This can be true even in the Japanese context and cautions against taking a simplistic view of national culture as proposed by many typologies. In particular Nissan's Keiretsu did not promote loyalty and co-operation. Secondly, Amae, or the desire to be cared for with benevolence, produced inefficiencies in Nissan's supply chains, generating nepotism in the executive of supply chain partners; redundant advisory roles; and reward, promotion and selection systems that did not promote accountability, a sense of urgency or profit orientation. Thirdly, the Ringi system at Nissan led to consensus decision making that diffused accountability. Finally, Japan's tradition of life long employment led to finger pointing and blind obedience to hierarchy which created silos, turf battles and lack of accountability. Nissan employees were good at collaboration but only within their functions which were highly cohesive. This prevented collaboration across functional and national boundaries and consequently supply chains were not integrated with negative financial results for the organization. Clearly Nissan's functions made decisions based on self-interest, demonstrating no evidence of monitoring and sanctions for this behavior as proposed by Griffith et al. (2006) and Ashkanasy et al. (2002). Consistent with findings of Fahy and Taguchi (1995) the Nissan case also demonstrates that the Japanese quality focus can be taken too far and sacrifice productivity as was the case when Nissan's Engineering function failed to take into account business considerations. The introduction of Western business practices such as contingent, individual pay to Nissan was successful even in a collectivist culture, which may indicate support for Koster and Shinohara's (2006) proposition that Japanese subsidiaries should adapt to Western business practices. They also suggest that an organization's SCM should take into account the mores of the country where they are doing business. However, the Nissan case indicates that it is possible, and in some cases preferable, not to do so. It seems that there may be universal high performance work practices, such as high contingent compensation and teams, that are effective in enhancing SCM in all cultures. In particular this case demonstrates the importance of diverse teams for effective intra organizational SCM which eliminated silos and turf battles. Leadership also played a significant role in supply chain integration. Consistent with extant findings (Aryee et al., 1998; McCarter et al., 2005; Millikin & Fu, 2005; Ueltschy et al., 2007) the Nissan case demonstrates that a general management focus facilitates supply chain integration which can be developed through cross experienced and exposed management. When the supply chain crosses national cultural boundaries an understanding and appreciation of culture is also of significant value. This has implications for HRM charged with developing leadership and management capability.

The Nissan case also demonstrates how Western business and HRM practices can be successfully introduced into collectivist cultures and supports Ashkanasy et al. (2002) notion that the confusion culture has demonstrated ‘malleability’ and a remarkable ability to adapt to a changing world. In particular, Nissan’s leadership was able to break with the traditions of national culture to change the organizational culture which had a significant impact on supply chain effectiveness and organizational outcomes. This indicates that management discretion may not be limited by national culture as indicated by Gerhart and Fang (2005). It is also consistent with Ulrich and Brockbank’s (2005) assertion that leadership deserves a double weighting when considering how to align HRM practices with the cultural capability required for competitive advantage, proposing that what leadership ‘does’ and ‘is’ matters. In particular, leaders as role models are important to culture and change.

These findings have implications for international HRM in general and more specifically for SCM and HRM in high context countries which characterize many emerging economies that are of increasing relevance to future business. Ulrich & Brockbank (2005) propose that organizational culture is at the heart of effective HRM because it defines how people will behave. The most effective HRM strategy aligns its human resource practices to the cultural capabilities that an organization needs to compete effectively in its environment. Changes made by Ghosn to the HRM practices of recruitment, reward, promotion and selection had a significant impact on organizational culture and most significantly these practices can be effective even when they are not consistent with the values pervasive in the national culture. International business involves the interaction and movement of people across national boundaries, consequently, an appreciation of cultural impact on these practices is essential. It is proposed that activities such as hiring, promoting, rewarding and dismissal are determined by the practices of the host country and are often based on a value system peculiar to that country's culture (Fisher, Dowling & Garnham, 1999) however, the Nissan case indicates that host country cultural practices need not dominate organizational culture or HRM practices. Secondly, 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. However, the Nissan case demonstrates that human resource practices can be successful even when they are not consistent with national culture. Thirdly, Gerhart and Fang (2005) consider whether a fit between national and organizational culture may be a source of competitive advantage using Barney's (1991) resource based view of firm. The Nissan case demonstrates that fit is not necessarily an advantage when it creates a dysfunctional organizational culture. It seems that organizational culture, rather than national culture, which has a much greater impact on behavior.

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