
JAPAN GOVERNANCE: PRIDE AND PUNISHMENT

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The Tokyo public prosecutors' arrest of Nissan's Carlos Ghosn underscores a key principle of Japanese corporate governance: greed and manipulation for personal gain will not be tolerated. The arrest comes at a time when the leading business lobby, Keidanren, has embarked on an ambitious agenda for executive management and CEO leadership reform that focuses on a greater need for transparency and accountability in C-suites. At the same time, it seeks to avoid the excessive greed and plutocracy now plaguing many Western-style CEOs and executive teams. Japan prides itself on having a better system.

There can be no doubt that the high-profile Ghosn case will serve as an important case study for what good governance and good regulatory policing requires of corporate leaders in Japan. The fact that this comes from a negative example, rather than a positive one, may trigger a new wave of conservatism and risk avoidance among corporate leaders. However, based on information available at the time of this writing, it appears that this is a case of blatant self-enrichment by one individual rather than a systemic problem pervasive through the management team. While previous high-profile Japanese corporate scandals—Toshiba, Olympus, etc.—were marked by bad and/or negligent governance and “groupthink,” there was never any evidence of individual leaders enriching themselves. In this respect, the Ghosn scandal is a “Western” scandal rather than a classic “Japanese scandal.”

Either way, the fact that the public prosecutors came down hard and decisively underscores that Japan's ruling elite has zero tolerance for personal greed—Japan's leaders are not above the law.

And make no mistake—Ghosn was a brilliant manager who saved a second-rate Japanese car company from bankruptcy when no one in Japan wanted to touch Nissan. More importantly, he then re-engineered a second-rate French company (Renault) to become a top global contender by integrating Japanese technology, production know-how and people management. No one understood the full potential of using Japan technology and branding as a springboard for global market leadership better than Ghosn-san. We can only hope that this part of his legacy will live on as a most positive example, especially for the next generation of Japanese CEOs.

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