The financial situation for Japanese automaker Nissan Motor Company Ltd could not have been more dismal. Its global market share had shrunk from 6.6% in 1993 to 4.9% in 1998, and even in its home market only about 30% of its models were proving profitable. The company had chalked up losses in seven of the past eight years, and it was now paying a billion dollars annually just to service its US$19bil debt.

An enraged shareholder at Nissan’s annual meeting on June 25, 1999, demanded that Nissan president Yoshikazu Hanawa resign: “You’ve made mistake after mistake in your management decisions.”

Not that Nissan’s management had not been trying to make the right decisions to stanch the losses. It had earlier set an ambitious target of taking a quarter of Japan’s auto market by 2000.

It was one of those aspirational goals that executives use to concentrate the mind and excite the ambitious. But to achieve that, Hanawa had said that the old way of making and selling cars would have to change. And his way of doing business the same old way. And his new way seemed like the right way—

providing he could deliver on the plan. But so far, he had not. Nissan’s market share in Japan in 1999 had stalled at just 16%, it was facing little better abroad, and losses were mounting everywhere.

Given the widespread scepticism in Japan about whether Nissan executives could ever reverse its declining fortunes—whatever the strategy—for a costly turnaround had died up.

Other carmakers, however, might have an interest in a rescue, though they were sure to exact a high price, such as Nissan’s ability to control its own strategy or even its own leadership. Still, with little real choice in the matter, Nissan sought an international partner, toying first with Germany’s Daimler AG and then eventually hooking up with France’s Renault Group.

Renault agreed to infuse US$5.4bil into Nissan, but in return it required more than 36% of the company’s ownership and a commitment from Nissan to appoint Renault executive Carlos Ghosn as Nissan’s chief operating officer.

With that, Renault inserted a very different kind of leader into the top ranks of Nissan—more confident, more determined, and certainly by Japanese standards, more brazen. With a hint of Antony at the Forum (“I come to bury Caesar, not to praise him”), Ghosn told Nissan’s suffering shareholders at the tumultuous 1999 annual meeting, “I have come to Japan not for the good of Renault but for the good of Nissan.”

“For the good of Nissan” would entail a new combination: a more aggressive execution of the company’s strategy and a more demanding manager in charge of it. And Carlos Ghosn seemed to promise both. Under his leadership, he said, the struggling automaker would return to profitability the following year and halve its debt a year later. To do so, the company would close three assembly plants in Japan, increase factory utilisation from 53% to 77%, cut suppliers by nearly half, eliminate 14% of the workforce, and reduce administrative costs by 20%.

Carlos Ghosn painted the same turnaround picture to a roomful of journalists in Japan on Oct 18, 1999. International media had been writing increasingly gloomy stories about Nissan’s future, but when Ghosn concluded his remarks, the sceptical gathering broke into spontaneous applause.

Ghosn was as stunned by the journalists’ reaction as they evidently were by his plan—and by him. It seemed that they were cheering both his more aggressive application of the strategy and his new leadership of it, tangibly reconfirming for him that the company sorely needed both.

Nissan, it appeared, finally had an executive at the helm whose ideas for strategic redirection looked promising and whose personal capacities looked equally favorable for its realisation.

Indeed, Nissan was soon back on its feet.

Today, under Carlos Ghosn’s strategy and leadership, Nissan continues to outperform its industry in Japan, China, Europe, and even North America.

Strategic Leadership as the Driver of Growth and Renewal

As Nissan’s story illustrates, firms with good strategy but weak leadership can remain rudderless. We also know that firms with good leadership but weak strategy can lurch directionless. Neither a restructuring strategy nor a turnaround leader alone could have engineered Nissan’s historic rebound. It required an individual who could both think and act strategically, a person with a solid strategy and the capacity to lead its execution.

Strategic leadership, the integrated application of both strategy and leadership, has become more important than ever before—and thus more vital for managers to master.

This is due to five trends we see in the markets in which many firms now operate:

1. Companies are more globally interdependent and competitive, and shortcomings in either their strategy or their leadership are likely to have greater downsides than in a less connected world.

2. The contracting life cycles for products and the expanding change rates for markets have placed a greater premium on having a competitive strategy in place and an executive team that can execute it in a timely fashion.

3. Firms are increasingly concentrating not just their direct competitors but also disruptive innovators and changeable customers, and that too has placed a greater premium on more vigilant company leaders and a greater readiness to redirect their strategies.

4. New markets in developing economies and growing markets at the bottom of the pyramid in advanced economies are attracting fast-acting and frugal competitors, and the agile exercise of strategic leadership has become critical for reaching and prospering in these leaner and faster-moving markets.

5. Investors are placing greater pressure on company executives and directors to exercise active strategic leadership of their enterprise.

All of these trends are intensifying, placing greater value on a manager’s ability to integrate strategy with leadership. We have researched and observed many companies and managers and have found that strategic leadership has become more essential whatever the particular challenges—whether dealing with extraordinary times, as Carlos Ghosn confronted at Nissan, or just the ordinary situations that managers face every day.