
Jugaad Cars: Carlos Ghosn and Disruptive Innovation

By [Henrich Greve](#)

Would you like to have a Renault or a Nissan (well, Datsun brand) for less than USD 5,000? Soon you can, if you live in India. These cars are part of a bold initiative by Renault-Nissan CEO Carlos Ghosn to harness frugal engineering, a set of practices intended to launch new models with radically lower development and production costs than has been done before.

Jugaad is the term used by Indian engineers for cost-conscious engineering, and Mr. Ghosn wants to deploy it in other Renault-Nissan markets as well. It is a disruptive innovation in how new model development is done, and it can give a major boost to Renault-Nissan in price-conscious markets in developing nations. It can also make customers elsewhere wonder why they are stuck with so much higher prices for their cars.

Jugaad practices have good cost consequences, but are not without risks. One is the issue of selling cars much more cheaply in some nations than others; an issue that gets worse because one practice is actually to take older-model designs from developing markets as the initial platform. In other words, after Nissan customers in Japan, Europe, and USA pay for the design, it is re-used for free in India. The other is the question of whether this approach gives the same safety standards that we expect of cars everywhere. Frugal engineering can be too cheap.

Why does Mr. Ghosn take these risks? One answer could be that the payoffs are potentially high in the rapidly growing emerging markets. Another is that there is little to lose in India, where Renault-Nissan started out with a 1.4 percent market share last year (now doubled). But a third opportunity is very intriguing: He may like the attention that comes from doing bold actions.

Gerstner, König, Enders, and Hambrick have published [an article in *Administrative Science Quarterly*](#) that looks at the connection between

CEO narcissism and adoption of disruptive innovations. They find that narcissist CEOs are more likely to adopt disruptive innovations, and they are particularly likely to do so when the area of innovation is attracting attention. The reason is that attention is exactly what narcissist CEOs want, and they get it by bold actions in areas of activities that are closely watched.

Is this a good thing? Well, researchers often ask why so few firms adopt disruptive innovations, giving the impression that firms should be doing more of it. And maybe that is the right answer. But disruptive innovations are risky actions that firms would take very judiciously and probably not mix with other risks. And herein lies the problem: narcissist CEOs don't calibrate overall risks, because as far as attention goes, more is always better. So we are stuck with the dilemma of normal CEOs calibrating risk but taking too little overall, and narcissists not calibrating risks and probably taking too much.

Do I mean to suggest that Mr. Ghosn is a narcissist? No, not at all; it was just an example of a bold action. He has by sheer necessity needed to take many bold choices in his life as a CEO. And he has written an autobiography to describe them.

Choudhury, Santanu. 2013. Renault, Nissan Bet on Small Cars in India. Wall Street Journal, June 11, 2013.

Gerstner, W.-C., König, A., Enders, A., & Hambrick, D. C. (2013). CEO Narcissism, Audience Engagement, and Organizational Adoption of Technological Discontinuities. *Administrative Science Quarterly*, 58(2), 257-291.

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