

## **Introduction**

This essay deals with the Renault-Nissan alliance, the role of Carlos Ghosn, CEO of both Renault and Nissan in developing the alliance, and the importance of the ways in which global strategic leadership could be developed as an organisational capability.

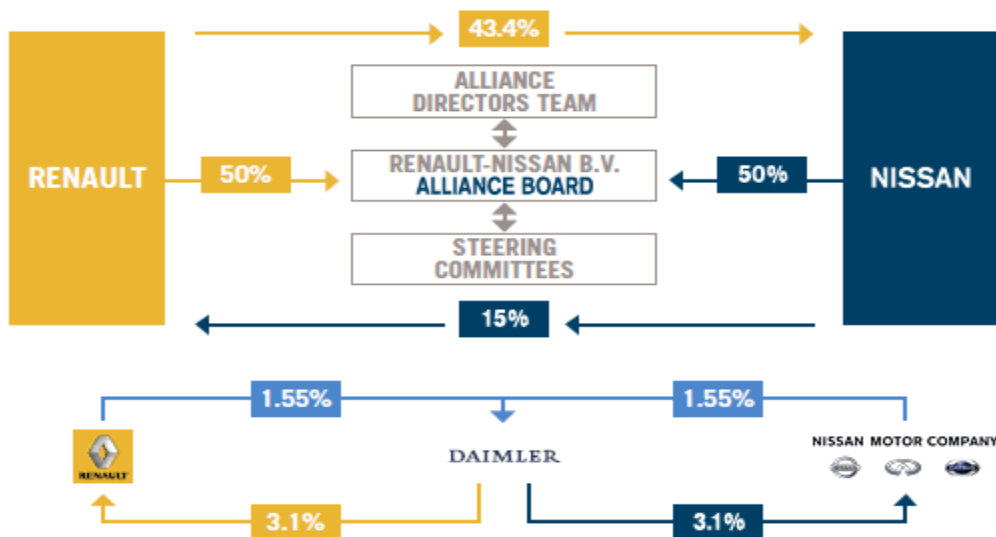
The Renault-Nissan alliance, first developed in 1999 has grown to become a strikingly successful example of the ways in which organisations can enter into strategic alliances under one common leader (Shenkar, 2006).

## **Discussion and Analysis**

Dekker (2015) stated that modern collaborative arrangements could be of various types involving equity sharing, joint activities, knowledge sharing, sourcing and franchising. The Renault-Nissan alliance, signed on March 27, 1999 has created a unique and new business model that has developed substantial value for both companies over the years (**Shenkar, 2006**). The alliance is currently one of the largest automobile groups, worldwide and achieved the highest number of vehicle sales in the first half of 2017, followed by the Volkswagen Group and Toyota (Bach, 2017).

The alliance is based on specific principles, those of trust, mutual respect, transparency, clear decision making and the development of strengths and synergies through common organisations, cross company teams and shared platforms and components (Burgelman & Leslie, 2008). Renault holds a 43.4% stake in Nissan, even as Nissan has ownership of 15% of Renault's shares. Renault-Nissan BV, a Dutch company was founded as a common strategic management structure of the group in 2002 (Burgelman & Leslie, 2008). The following diagram provides details of the structure of the alliance, with particular regard to the two companies and Renault-Nissan BV.

**Chart 1: Structure of Renault-Nissan Alliance**



(Source: Burgleman & Leslie, 2008)

Dekker (2015) stated that such organisational alliances develop some extraordinary features. The scope of their activity of management control is enlarged and does not remain confined within organisational legal boundaries. Planning, budgeting, and control processes flow from one firm into others, creating a more explicit awareness of the interdependency of action and the role that can be played by joint action in organisational success. Different methods of management accounting and control also accompany the emergence of hybridised organisational forms (Dekker, 2015).

The Stanford Graduate School of Business, in a case on the Renault-Nissan alliance, stated that the organisation, under the leadership of Ghosn, had developed a remarkable track record as a new and unique organisational form in the global automotive sector (**Burgleman & Leslie, 2008**). The two organisations, Renault and Nissan, both of them individually large automotive organisations, are working together in numerous and unprecedented ways, whilst safeguarding their individual corporate identities and interests at the same time (Burgleman & Leslie, 2008). The alliance had, right from the beginning, tremendous opportunities for both sides (Burgleman & Leslie, 2008). Renault supported Nissan with financial support, styling, design and working with much fewer manufacturing platforms (Dumain, 2014). Renault additionally gained from the alliance by expanding its distribution and gaining access to Nissan's

engineering technology, as well as its sales experience in North America, Europe and Asia (Dumain, 2014). Mutual respect was important for the alliance and it involved the two companies working together with co-shareholding, taking advantage of synergies and maintaining strategies for driving of decision making (Burgelman & Leslie, 2008).

Ghosn, who was CEO of Nissan since 2001 accepted the position of CEO of Renault in April 2005, an unprecedented event in modern industrial history (Tajitsu & Kim, 2017). Ghosn felt that he gained diverse perspectives by serving as the CEO of two organisations; the experience was gained “not through people living in different markets but through own experience”, (Burgelman & Leslie, 2008, p27). The ability to experience changing regulation, competition and industry trends from two specific but different perspectives also gave him a substantial potential advantage (Burgelman & Leslie, 2008). The fact that both companies had one CEO furthermore motivated both of them to try their best to improve their operations (Tajitsu & Kim, 2017). Ghosn, on his own continuously pursued what was in the individual interest of each company with a high level of detachment. He acted as two CEOs and never acted as one CEO for two companies (Autocar Professional, 2017). He also measured the ways in which he allocated his time between the two companies in order to ensure that each party was provided with 50% of his attention (Autocar Professional, 2017). His calendar year would be planned one year in advance and thereafter reviewed regularly to ensure fairness to both organisations (Autocar Professional, 2017).

Ghosn’s span of strategic leadership involved the empowering of executive committees of both companies to take the lead in monitoring organisational activity (Snyder, 2014). Spending 50% of his time in each company also facilitated the provisioning of road for people to grow (Snyder, 2014). Ghosn beyond stimulating both Renault and Nissan to realise the current potential of the alliance also worked hard at refining his longer term vision, which involved the bringing in of a third major automotive company into the alliance (Tajitsu & Kim, 2017). This came to fruition in 2016 when Nissan acquired a controlling interest in Mitsubishi, following which Mitsubishi was made an equal partner in the alliance (Tajitsu & Shiraki, 2016).

It is important to note that the partnership is not a merger or an acquisition and the three companies are joined together through a stock sharing agreement (Tajitsu & Shiraki, 2016). The alliance has formed additional partnerships with Germany’s Daimler, China’s DongFeng Motor

and Russia's Avto VAZ (Renault, 2017). The alliance also served as a model for the alliance between General Motors and the PSA group (Renault, 2017).

The Renault-Nissan alliance emerged as the largest vehicle manufacturer in the world in the first 6 months of 2017, followed by the Volkswagen Group and Toyota (Schmitt, 2017). The addition of Mitsubishi Motors in late 2016, in fact helped the alliance in moving up from third position in 2016 to first position in 2017 (Schmitt, 2017).

It is clearly evident that Ghosn's model of forming inter-organisational alliances has resulted in an enormous shakeout in the automobile sector and the evolution of a new form of organisation with enormous potential for the development of inter-organisational synergies (Schmitt, 2017).

## **Conclusions**

This paper examined the growth of a new organisational form, i.e. the creation of organisational alliances in the automobile sector. Whilst mergers and acquisitions continue to have a qualified and even poor rate of success, Ghosn has formed a new model of cooperative and collaborative working, wherein the individual members of an alliance protect their own interests and their culture, but at the same time work in numerous ways to develop the synergies that are the ultimate aim of mergers and acquisitions.

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