

Renault nissan the paradoxical alliance marketing essay



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Individual Essay

Contrary to common belief recent research suggests that, most often it is not poor strategic that causes mergers and acquisitions or alliances to fail but poor implementation.

Common mistake can be identify in, for instance: lack of trust and communication, insensitive management, power struggles, slow execution or a leadership void following the deal. In this essay we will explain the points that have made what on the beginning was announced as “ a marriage of desperation” is now considering one of the most successful alliance.

“ The most fundamental challenge of any alliance or merger is cultural: if only one does not believe that something can be learned from new partners, the venture is doomed to fail” said Carlos Ghosn.

Renault-Nissan gave attention of the cultural people aspect, in fact Ghosn (Nissan and Renault CEO) created a specialize team combine both nationality together, in addition they chose a common language (English) and a common vocabulary, for some misleading words, with the purpose to avoid misunderstanding.

A drive change, for the company has been the transparent valour and the strong leadership of the CEO; in addition a common vision, based on the Nissan Revival Plan, with the main purpose to be profitable in only three years, that has given a common point to reach for both the companies and what it is more the perfect goals to achieve. In this way, Ghosn had reinforced the value inherent in the organization’s view and expressive a

clear and appealing vision, such as using expressive, strong form of communication, show strong self-confidence and self-assurance in the attainment of the vision. Moreover, they transferred high expectations to the group and confidence in their abilities, showed role-modelling behaviours that emphasized and reinforced the values inherent in the vision and in this way empowering people to achieve the vision.

From my point of view since the first meeting they create an alliance based on partnership and trust, rather than power and domination.

The two companies utilize common synergies in numerous areas, apart from sharing the platforms on which vehicles are built; they also exchange research and technological innovation (transmission engineering, fuel and cell research, and state-of-the-art engines).

In order to facilitate coordination and improve performance, they create a cross-cultural teams and functional task team, in fact some employee were working on the same time in Renault-Nissan alliance even though they continue to stay in their original company.

Another important aspect is that the Renault-Nissan alliances have joining together people of various national cultures and different corporate society into one company. Moreover, the leader had capitalized on the cultural differences between employees and he minimized firstly the stereotype and secondly the psychological distances between them.

Furthermore the company since the beginning invested a lot of money for training 1500 Renault employee about the Japanese culture and 400 Nissan

staffs about the French culture. This one the first good step for create a cross-cultural alliance, studying the opposite company culture, habit and background, both Japanese and French could understand better the opposite point of view, in order to avoid misunderstanding and play together for a common plan.

When Carlos Ghosh arrived to Nissan, he plan to cut 21, 000 jobs (from 147, 000 to 148, 000) by March 2003, so basically in three years, in addition he closed five factories and interrupted the historical supplier rapport with the Keiretzu. He did all of these actions in order to give a strong signal to the company and reduce to the minimum redundancy and cost. Another important aspect that Carlos completely change was the management process, before he came to Nissan a younger employee could not managing and old colleague because of the age and the seniority, in fact promotion were related to the sonority of the employee. He creates a completely new promotion rules, based strictly on performance, without any relation between ages of the employee. In this way he creates common rules between the two companies and on the other hand he motivates young and not members of the team to work hard. This was completely different from the Japanese culture, but after a while, when the Japanese employee understood the benefits of this action, it was easier for them accepted and gave them also, a huge motivation, because of the egalitarian style. “ Moreover, he established nine cross-functional teams; each was led by two executive members and headed by a pilot. Further, team members were selected by the leaders and the pilot”. The purpose was to create a cross functional and international team, in order to share competencies, experiences and see the company as

whole together. Moreover, Carlos Ghosn in 2001 hired a high-profile female Japanese executive for heading Nissan communication department; in fact she was the first woman to lead an important function inside the company. This new person did not create any contrast inside the company, because of the new mentality that step by step the CEO was trying to build inside the Nissan-Renault company. In the past, in Japanese culture an act like that could create problems or just loose of power from the manager, but because of the long training and the new cross-cultural vision, what in the past would be a conflict, now it is a new benefit.

Undoubtedly, there were some radical cultural differences between the two companies, Japanese culture is more collectivistic, as oppose to the French one that on the workplace is more individualistic. This two particular aspect of cross-cultural were explained by Hofstede before and Trompenaars later, even if with some differences. As a matter of fact, the former conceptualize the differences between individualism and collectivism as general differences between cultures. The author point out that on a scale of 50 different countries, with values between 91 and 6, the IDV value for France people are 71 so pretty high, as oppose to the Japanese with only 41, which show a more collectivistic culture instead on individualistic. The latter, on the other hand emphasis more frequent reference to managerial implication, even though the general sense is really close to what Hofstede set out. This last aspect can be a practical point that Renault and Nissan managers and employee had studied during the first months training, with the purpose to avoid problems inside the cross cultural team and colleagues indeed.

Moreover, Hofstede explained the different point of view that some countries

have about masculinity and femininity, in fact based on the authors fourth dimension, he underlined that the Japanese country is the first country for masculinity, such as competitiveness and performance, with a score of 95 out of 100 and France only 45 out of 100, definitely with more femininity values, for instance relationship and a concern for the quality of life. This shows a huge difference between the two countries, but due to the high Japanese masculinity, for Carlos Ghosn (Renault-Nissan CEO) was the perfect synergy, in fact Nissan employees found a strong new management, which gave to the alliance new rules, with a continue demand of high performance and even more hard competitiveness than before, because more egalitarian.

On the other hand, we can find in Hofstede also same synergy; the first one is with the power distance, in fact following the author research France (68/104) is slightly more hierarchical than Japan (54/104) which is more equalitarian, even though the substantial difference with the two countries is really minimal. The second possible common point is with the last Hofstede dimension the uncertainty avoidance, where both countries show a closer score (92/112 France and 86/112 Japan), which underline a predisposition for the roles; which definitely prove an important aspect for a strong alliance.

As Trompenaars and Hampden -Turner (1997, *Riding the Waves of Culture: Understanding Diversity in Global Business*) identified and analyzed seven different dimension, one in particular is the neutral/emotional dimension, where they describe the cultural contrast between countries where emotions are masked and others where emotions are exhibit openly, also inside a business situation. Moreover, the two authors emphasis the cultural

differences between south European and Japan, the former in general tend to

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exhibit without any separation between emotion and reasoning. The latter, on the other hand, demonstrate that the 74% of Japanese do not want to express inside a workplace strong emotions. The points just mention above are absolutely a cultural difference, which can create discontent and fracture inside a new alliance, if the respective company do not know that it is more a behavioural aspect rather than a value in itself. Furthermore, Trompenaars and Hampden -Turner also wrote about “ the role of societal culture at the organization level, believing that corporate culture is shaped not only by technologies and market but by the cultural preferences of leaders and employees”. This is another important point that links the two authors with the new Nissan-Renault vision.

A common aspect that both Hofstede and Trompenaars mention in their studied is the negotiation aspect, in some cases if the two parts do not know the opposite habit respect the understanding and agreement phases, these can create some misunderstanding and emphasize the difference between a Middle East country and European or Western Countries (USA). Indeed, during Renault- Nissan negotiation the two CEO (at that time were Schweitzer and Hanawa) met dozen times, with the purpose to learn, trust and understand each other and in this way imagine a future alliance between their companies. Therefore, the second step was to put together for six months (before the alliance) some of the top executives, with the aim of forging a formal alliance between the companies. After that Schweitzer and Hanawa chose 100 engineers and managers from both companies to work together, with the intent to joint team study and without any formal objective and free from cultural stereotypes. Both companies have invested

time, resources and money for a long period negotiation with the purpose to discover the possible synergies without pay attention to the economical aspect.

According to Schwartz researches, the two core bipolar dimensions identified were:

Self-transcendence/ self- enhancement and Conservatism and Openness to change, the last one is the first link for the two companies, in fact, even though in different way, both have been opened to change. Nissan had completely changed management structure, part of the company vision and it become more transparent and communicative; on the other hand, Renault brought to Nissan important key people (CEO C. Ghosn, product development P. Pelata and finance T. Moulouquet), in order to give to the alliance strong brick for the company's revival. Moreover, both companies since the beginning have been opened to share engineers, idea and platforms.

The second point correlated with Schwartz (2000) studies is with the three indices and in particular with Mastery and Harmony, where according to the authors research the Japanese culture appear more focus for control and change the natural and social environment. On the Renault- Nissan alliance this has not been a problem, because of the common vision focusing to restore Nissan's company.

According to Hall (1990) search he point out in his model the difference between high and low context societies. In the high context societies are often stress the importance of establishes good social relations based on <https://assignbuster.com/renault-nissan-the-paradoxical-alliance-marketing-essay/>

trust and respect, this is an useful link with the point already mention before about the negation period coped with the two associates. Further, Hall identify three distinct categories: High- context, Medium- context and Low- context. Japanese culture reflect for the author more a high-context model, as opposed to France culture which result more on the medium-context categories; some of the points mention of this model could create inside the Renault-Nissan alliance some problem, because of the different way to think and manage the situation.

According to Hughes and Weiss (Harvard Business Review, 2007) -“ The number of corporate alliances rises 25% a year. And those partnerships account for nearly 33% of many companies’ revenue and value. Yet the failure rate for alliances stays close at 60%-70%, that is because too many firms trust too much on conventional advice for managing alliances”- -such as “ Focus on defining a business plan” or “ Minimize conflict.”

The idea in practice from my point of view is that companies need to focus not only on the business plan but also on the partnership’s working relationship and, rather than suppressing disagreements, exploring conflicts to find sources of value in partner companies’ differences.

Therefore, the authors recommend five different practices in order to managing alliances:

Develop the right working relationship

Peg metrics to progress

Leverage differences

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Encourage collaboration

Manage internal stakeholders.

The suggestion for the first one is to define exactly how the companies will work together. For example, clarify what “ mutual trust and respect” mean to each of the corporations. Articulate how they will make decisions, allocate resources, and share information.

The second point is to Peg metrics to progress, alliances require time to pay off financially and alliance does not reach significant result in the first period, (month or even in the first year). Third points that the authors underline are the Leverage differences, companies’ can share advantage from partners’ different, for instance: “ know-how, markets, customers, and suppliers”. Yet other types of differences (such as contrasting cultures) can direct to uncomfortable conflict. Instead of hiding conflict, surface it and find ways to use your differences to create value. Another important practical point is to Encourage collaboration in fact if a problem come up, rather than prejudge someone or something, it is always better try to analyse of how both parties contributed to it and what each can do to improve it. The last one is to Manage internal stakeholders, in a practical way most of the external alliances depend on cooperation from internal units in each company. The purpose is to be sure that all internal players are involved in supporting the alliance and committed for the success. From my point of view, the two authors express some important guide for making a good alliance, such as encourage collaboration, uses the differences for create value or create inside the company mutual trust and respect, all the points mention before

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are well express also inside the Renault-Nissan alliance, as some of the core value of the alliance.

In addition, Carlos Ghosn definitely represents a strong figure for the alliance, probably a part of the heart of the company. He begun Nissan COO in 1999 and with the Nissan Revival Plan (NRP) gave to the alliance immediately clear qualitative and quantitative targets, with the aim to achieve all of them in no more than 3-4 year. He imposed a common restructuring, with tangible but challenging mission and a share vision " The return to profit". Nevertheless, the NRP as mention before Ghosn gave a lot of importance about cross-cultural team, link both of companies with the same rules, since the first moment he always tried to avoid cultural stereotype and created work teams with both nationalities together. Carlos is a charismatic business man, but is also a clever CEO, who knows that he could not overcome or transcended cultural differences, only with is personal quality. Therefore, he mixed both leadership quality and cultural synergies with the intention to create the perfect alliance.

J. Collin and W. lazier (Beyond 1992) wonderful explain the role of a Leader, all the first chapter of the book Entrepreneurship (turning your business into an enduring company) is dedicate in leadership style. The two authors identified a guide for an effective leadership function and style; for the former they specified that the purpose is " catalyze a clear and compelling vision that is shared by the group and is acted upon". For the latter, they recognized seven common elements for consider an effective leader style, plus the individual personality characteristics:

Authenticity,

Decisiveness,

Focus,

Personal Touch,

Hard/soft people skills,

Communication

Ever forward

All the points' mentions above are decisiveness for build a strong leadership; as a matter of fact most of them are easily connected with Renault-Nissan alliance. The first share aspect is that Carlos Ghosn gave immediately an authentic vision for the new alliance and he carries this authenticity out to the major strategic decision made by the company. Moreover, he is a role model of the value and beliefs through his day-to-day actions, in this way all the company should be a role model of its philosophy as exemplified by its major decisions. The second point is absolutely the decisiveness , in fact Carlos showed immediately the ability to decide what it was better for the alliance and what not (an example could be the historical supplier Keiretzu that he cut off, without any doubt, because not anymore essential for the company). Other important point already amply discuss before are be focus, Personal Touch and hard/soft people skills for instance, He creates a completely new promotion rules, based strictly on performance and new

cross-cultural teams, with the purpose to use the common synergies and learn from the future conflict.

Communication is a crucial point for this alliance, because Carlos Ghosn has completely changed the way of how to communicate inside Nissan, in fact he established an absolutely transparent, open, precise and functional communication inside the company but also outside such as the media. The CEO believes that “if people do not know the priority, do not understand the strategy, where the company is going, which one are the critical objectives.” For his point of view confusion is the first sign of trouble; with large amount of different cultures and countries, it is important to be precise and factual, in order that people can see and measure.

To sum up, more or less ten years ago Renault-Nissan was considered an impossible alliance, there were apparently too many economical problems, cultural and organizational differences. However, during these eleven years the two companies have become the number four and five profitable largest car manufacturer companies on the world. Therefore, I would like to emphasize the last element of effective leadership style: “ever forward” mentality. Since the beginning, Carlos Ghosn has always been moving forward – progressing – before as an individual and later transmitting these new values to the alliance. This new open-minded way of how to think, collaborate, cooperate between teams and share ideas, combine two cultures and languages together, broken any kind of stereotypes and avoid cultural shock. With the aim to achieve a unique common goal “be profitable again and create a longevity alliance”.

Renault-Nissan from my point of view is the perfect example of the effective power of a strong and well establish cross-cultural alliance.

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