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Strategic Alliances and Intercultural Organizational Change: The Renault–Nissan Case

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1 Possible answers

1.1 What kind of key factors were essential for the organizational development of the strategic alliance in the case? In what way did they contribute to the success of Renault–Nissan? Please try to distinguish strategic, structural, process and cultural key factors and measures.

Carlos Ghosn succeeded in transferring his individual intercultural and managerial competences at the collective organizational level of Renault–Nissan by introducing specific measures that contributed to the change and development of the whole organization. These measures explain the success of this bilateral agreement.

Strategic

For Ghosn, the architect of the strategic alliance, one key success factor is that the firms preserve their identity and culture, which is unlike most mergers and acquisitions. In the strategic alliance there was an extremely high mutual respect for the national and corporate cultures.

The actual organization and the daily operations of Nissan and Renault were only partly brought together by the strategic alliance. So it has not been a classic joint organizational development process that merges two companies. The two entities remained independent in many aspects of their organizational culture and development. However, a third common organizational unit was created with Renault–Nissan BV in the Netherlands, which is still economically dependent on the other two parts of the company. Closely linked to strategic measures are the financial ones: the cross-shareholdings show the long-term commitment of the two partners and encourage strategies both partners benefit from while reducing the risk of opportunistic behaviour.

Structural

Organizational structures, formal and informal, have a strong effect on working practices and behaviour. The alliance structure that was established (Alliance Board, Alliance Managing Directors) also facilitates the development and realization of cooperative projects (see Question 1.3). A very important factor, which combines the two organizational structures on a daily basis is the implementation of common information systems infrastructure and data warehouses.

The restructuring of the suppliers' network was an important key factor in order to regain an overview of the complete supply chain, but also to reduce costs by reducing the number of suppliers and open the network to new competitive suppliers – even if it meant the abolition of the Japanese principle of “lifetime cooperation”.

In addition to that, a refined communication structure was set up by introducing English as the working language, supported by a manual of keywords as a common basis.

Process

One important method to facilitate communication and innovation, knowledge creation and transfer at the group level is so-called "Cross-Functional Teams" (CFT). These are key elements for the intercultural organizational development and integration process, to the extent that they reflect the idea of mutual learning in an alliance and collaboration between equals. Based on this principle of diversity, these teams bring together engineers and managers from different departments who work together to find better solutions than homogeneous groups can. Considering the strongly hierarchical Japanese culture, the introduction of CFT was useful, as previous employees of certain levels kept to their hierarchical level and would not cooperate with staff from other hierarchical levels.

Cultural

In order to understand the relationship between the two companies, an appreciation of what is known as the Renault–Nissan Value Charter is important. This charter states a common vision that is underpinned by a spirit of cooperation and mutual respect to ensure a balance between the partners, including the idea that the two brands would be kept separate. As described in the Charter, Renault would try to avoid any kind of approach that would look like Western cultural imperialism. The foundation of a third common organizational unit, Renault–Nissan BV in the Netherlands, a *third* country, is important. This country was also chosen as a neutral ground and as a symbol for symmetrical forces and influences.

Besides, Nissan people would be treated as equals, which clearly was illustrated by not clearing out the executives who had failed Nissan. They were simply assigned to other duties after the implementation of Ghosn's reforms. Thereby, Eastern face was saved.

Due to the abolition of old systems, such as the Keiretsu, and the implementation of new common instruments, such as a value charter or a dictionary, new rules emerged and intercultural negotiation processes were created that facilitated cooperation.

Finally, one can emphasize the key role played by Carlos Ghosn in this ambitious cooperation. Ghosn was aware that in partnerships there are cultural differences to be overcome and diverging world views to be reconciled.

In conclusion, it can be said that, in the Renault–Nissan alliance, organizational development measures were applied in different domains and at different levels. However, it is worth noting that these measures were not implemented as intervention measures in the classical sense. The special structure of the strategic merger aimed to support mutual synergy.

1.2 In what way are the two companies complementary within the strategic alliance? How far do they follow complementary strategic plans? Please refer to the interview of Carlos Ghosn with Stahl and Brannen (2013).

In many aspects, Renault and Nissan seem to be quite complementary, as the different market or product orientation or the cultural diversity of human resources, especially in leading positions of the governance system, may show. On the one hand, the strategic alliance uses these divergences; on the other hand, it recombines them in new *common* entities that bring them together and use them as resources. The following table illustrates these complementarities.

Function	Renault	Nissan
Headquarters	Common neutral ground: in the Netherlands	
Markets	Europe	Asia and USA
Purchase	Common purchasing organization	
Logistics	Common packing and shipping	
Information	Common information system	
Product	Diesel engines and manual transmissions	Gasoline engines and automatic transmissions
Development	Common shared platform strategy	
Top management	3 (2 Frenchmen and 1 Portuguese)	3 Japanese
Number of employees	More than 100,000	

Table 1. Some complementarities of the Renault–Nissan Alliance

Culturally speaking Carlos Ghosn stresses in the interview several mutual learning processes and the role of national or organizational culture:

“We all know that the Japanese culture is very strong in engineering, very strong in manufacturing, very weak in communication, and very weak in finance. The Renault culture generally is very strong in some of the places where the Nissan culture is weak – for example, in finance, in telling the company narrative, and in artistic and emotionally evocative advertising and marketing. That’s why I think the Renault–Nissan Alliance works so well – because the cultures are different, yet complementary.” (Stahl & Brannen 2013: 496).

1.3 How can intercultural cooperation and organizational development be enabled as a result of: the organizational structure adopted; the composition of the alliance board and alliance managing directors; the processes that are implemented?

The organizational structure adopted for this alliance is characterized by a high degree of flexibility: partner companies work together while remaining independent. The flexibility concerns both the governance of the organization and the management of an equitable cooperation accord. The cooperation is governed by the Renault–Nissan Alliance Board and supported by the Executive Committee of the companies.

The Renault–Nissan Alliance Board is composed of three Renault (one Portuguese and two Frenchmen) and three Nissan (of Japanese citizenship) senior executives. The composition of the board reflects an equal distribution of power between Renault and Nissan and also as far as nationalities are concerned.

The same applies to the profile of alliance managing directors (five French, five Japanese, one Franco-American), but increasingly third-country nationals (one Brazilian of Japanese origin, one American and one Belgian) have been appointed. It seems interesting to note that one alliance managing director has been working for both Renault and Nissan, five for Renault and six for Nissan, while two managers were recruited without prior experience in one of the partner companies. The distribution of power between Renault and Nissan as well as between France and Japan in the organizational structure of the Renault–Nissan alliance seems relatively equal.

The collaboration of managing directors contributed to the development of synergies between the partners. The projects conducted are then implemented within the companies, providing a high degree of autonomy to local management teams that are involved in the project. For each individual project, intercultural and cross-functional teams can be formed, which facilitate the use of complementary resources and competences as well as learning processes. This high degree of flexibility promotes mutual understanding and reduces the risk of conflicts within teams.

1.4 Describe the specific profile of the CEO Carlos Ghosn. Why is he a good candidate to make organizational change happen in a Japanese company?

On the individual level, Carlos Ghosn as the architect of the Renault–Nissan alliance can be seen as a very interculturally sensitive and competent person. He calls himself a "citizen of the world" and sees cultural differences as an "object of cross-fertilization" and innovation rather than as a motive for frustration or reason to disagree.

Within the Renault–Nissan alliance, he can be considered as a *TCN (third country national)* with outstanding intercultural and managerial competences that are strongly linked to his multicultural origins and socialization as a *TCK (third culture kid)*: Carlos Ghosn was born in Brazil, raised by his Lebanese parents and went to a French school; he has been exposed to and absorbed many cultural systems. He reflected about this intercultural socialization, saying that he didn't learn about multiculturalism in a book. In Brazil he lived in a city where he grew up with individuals from Poland, Italy, England; during his childhood in Lebanon he had friends who were Jews, Muslims, Christians: "It was a melting pot, and I could see as a child the difficulty of blending these different people, but I also saw the beauty and the wealth which was created by it." (Stahl & Brannen 2013: 501)

This socialization provides a better understanding of the diversity of national and organizational cultures. Speaking four languages (English, French, Arabic and Portuguese), Carlos Ghosn can more easily communicate with stakeholders in different countries and convince them of the benefits of the implemented strategy.

In addition to his culturally diverse origin, Ghosn acquired intercultural work experience in the automotive sector and leadership skills. He once helped the French tyre manufacturer Michelin to new prosperity and made the Japanese car maker Nissan a highly profitable company.

His professional path confronted him with a diversity of national and organizational cultures, people and challenges. Because of his authority and leadership style, Carlos Ghosn was able to convince stakeholders to implement important changes in the companies he was working for. Believing employees, representatives of the media and competitors, Ghosn has key central features of *managerial capability*.

Thanks to this background as a TCN, it was easier for Ghosn to change some unprofitable practices than for his Japanese predecessor Yoshikazu Hanawa, who could not have abolished compensation by seniority; it would have caused face-loss for Hanawa towards his Japanese colleagues. Hanawa, as a member of the in-group, would have hurt his colleagues' and employees' feelings, whereas Ghosn, due to his nationality, new position and "gaijin" (foreign, non-Japanese) status, was rather seen as an "outsider", as a member of an out-group. Even his unpopular decisions were more easily accepted and pardonable. If the Japanese boss had taken the same decisions, it might have felt like betrayal for his team members.

Carlos Ghosn can be regarded as a creative transcultural leader living and working in different worlds. He has demonstrated his ability to understand a different world (Nissan), to develop and propose a world (Renault–Nissan), and finally to establish gateways to enable employees of Nissan and Renault to join this world in a sustainable way.

2 References

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