



# HOKKAIDO UNIVERSITY

Title	The Determinants of Alliance Performance : Case Study of Renault & Nissan Alliance
Author(s)	Susini, Jean-Paul
Citation	Economic journal of Hokkaido University, 33, 232-262
Issue Date	2004-07
Doc URL	<a href="https://hdl.handle.net/2115/5398">https://hdl.handle.net/2115/5398</a>
Type	departmental bulletin paper
File Information	EJHU_v33_p232-262.pdf



# **The Determinants of Alliance Performance: Case Study of Renault & Nissan Alliance**

**Jean-Paul Susini**

The lack of cohesion of the existing studies concerning the performance measurement of the strategic alliance suggests further investigation regarding the determinants of alliance performance. Based on a revised framework proposed by Das & Teng (2003), this paper attempts to examine the determinants of alliance performance, using a case study of Renault & Nissan Alliance.

*JEL Classification Numbers:* F23, L62, M10

*Key Words:* Determinants of Alliance Performance, Resource-Based View

## **1. Introduction**

The proliferation of strategic alliances over the last ten years gave place to a large amount of studies regarding this new trend of cooperative behavior. As a consequence, our understanding of the manager's motivations relying on these relational forms of governance has been substantially increased. So, too, has our understanding of the advantages and disadvantages of the different governance structures. The research has provided managers contemplating alliances as a mean of achieving strategic goals with an improved sense of the relationships that exist between antecedent conditions, structures, and performance outcomes. However, the lack of cohesion of the existing studies concerning the performance measurement of the strategic alliance suggests further investigations regarding the determinants of alliance performance. In order to answer the research question, what are the main determinants of alliance performance, this paper proposes to examine the case of the alliance between Renault and Nissan, using a revised version of a framework by Das & Teng. This analysis is based on the partner characteristics and the conditions of alliance, integrating two of the main approaches in the literature as the competitor analysis and the resource-based view of the firm. Ultimately, the purpose of this case study is to propose a framework able to evaluate the prospective alliance performance through the analysis of the partner firms and the alliance condition.

## **2. Literature Review**

### **2.1 Historical view of the alliance**

In the 1970s and early 1980s, the strategic challenge for a company was viewed primarily as one of protecting its potential profits from erosion through either competition or bargaining. This view of strategy changed radically in the late 1980s. The need to pursue multiple sources of competitive advantage simultaneously led not only to the need for building an interdependent and integrated network organization within the company, but also to the need for building collaborative relationships externally with governments, competitors, customers, suppliers, and a variety of other institutions. The latest and also perhaps the most visible manifestation of the growing role of collaborative strategies lies in the phenomenon often described as strategic alliance: the increasing propensity of multinational companies to form cooperative relationships with their global competitors. In the 1990s, there is a fast-growing and widespread perception that global competitive battles will increasingly be fought out between teams of players aligned in strategic partnerships (Bartlett & Ghoshal, 1999).

### **2.2 Definition of strategic alliance**

The term strategic alliance has become widely used to describe a variety of different interfirm cooperation agreements ranging from shared research to formal joint ventures and minority equity participation. Many researchers have given their own definition of the strategic alliance. According to Ring (2000), an alliance involves the collaboration between two or more firms that retain their autonomy during the course of their relationship. An alliance is strategic when it has been design to enable the partners to pursue objectives that they have defined in the course of making decisions on the corporate level of business level strategies. We considered in this research, the definition proposed by Das & Teng (1998a) directly related to the cooperation characteristic of the strategic alliance: strategic alliances are interfirm cooperative arrangements aimed at achieving the strategic objectives of the partners.

### **2.3 Definition of alliance performance**

Because ultimately any strategy has to be evaluated in terms of its success, alliance performance has attracted considerable research attention. Despite a significant amount of studies, the alliance performance remains one of the least understood aspects of alliances, due to certain empirical research difficulties and the resercher's disagreement on the measure of alliance performance. While some prefer subjective measure such as perceived satisfaction others use objective measure such as profitability and sales growth or reve-

nues and costs. Traditionally, alliance success has often been measured using managerial assessment in extend to which an alliance had met its stated objectives (Geringer & Herbert, 1991). Recent trends show that practitioners and academics also measure alliance success and value creation in terms of how stock markets and investments react to the alliance announcements. According to this locus, the alliances that result in positive, abnormal gains for their parents are deemed to be successful or value creating. Other studies use the survival or the termination of the partnership as a measure for alliance performance, based on the assumption that terminated alliances are not successful. This last approach has been criticized for not measuring performance directly and also for co-mingling alliance performance and alliance. Because partner firms use alliances to achieve certain strategic objectives, alliance performance need to be measured in terms of the aggregated results of the partner firms. Following this locus, the definition of alliance performance proposed by Das & Teng appears to be appropriate for this research.

#### **2.4 Evaluation of alliance performance**

Das & Teng in their paper proposes a conceptual framework to analyze the prospective performance of the alliance. The framework is based on a systematic examination of the partner's characteristics of an alliance and the mediating role of the alliance condition. The partner analysis includes two key elements found in the literature on strategic alliance as the market analysis and the resources analysis of the partner firm. The partner selection constitutes an important stream in the research, this imply the match between partners in terms of their resource profile, approach elaborated in the resource-base view of the firm (Barney, 1991). The resource-based view of the firm seems particularly appropriate for examining strategic alliances because the companies essentially create alliances to gain access to other firms' valuable resources (Das & Teng, 2000a). The idea of match is not limited to the resources only, and the partners should also be analyzed in terms of their market positions. Precedent researches propose that the competitor analysis should cover both market and resources elements (Chen, 1996). A similar approach can be adopted in the study of interfirm cooperation. Market and resources analysis would provide a picture of how the partners fit each other. This partner analysis covers the examination of the overall match between the partner firms in terms of their interpartner market commonality, resource characteristics, and interpartner resources alignments.

The market commonality refers to the degree of presence that a competitor manifests in the market it overlaps with the focal firm. The resource analysis finds its foundation in the resource-based view of the firm (Das &

Teng, 2000a) . Barney (1991) lists in his article, four characteristics that form the foundation for sustained competitive advantage: valuable, rare, imperfectly imitable and imperfectly substitutable. Other researchers suggest that other resource characteristics are desirable. Das and Teng proposed three others desirable resource characteristics: Imperfect mobility, imitability, and substitutability. First, mobility refers to the degree of difficulty in replicating others valuable resources in the factor market. Second, imitability refers to the degree of difficulty in replicating others valuable resources. Third, substitutability is about developing different resources that meet the same need.

Interpartner resource alignment refers to the pattern used to integrate the resources in the partner firm. In our analysis, the concept of resource alignment is confined to the dimension of resource similarity and differs from the original framework that includes also the resources utilization dimension. Derived from the resource alignment determinant, two other classifications, namely the supplementary and complementary resources are considered in this framework to qualify the resources involved in the alliance.

The other key element of the framework is represented by the alliance conditions, and refers to the aggregation of selected characteristics of an alliance at any given moment of its life. One may differentiate between the initial alliance conditions at the moment of alliance formation and subsequently evolving alliance conditions at later stages (Das & Teng, 2002). The alliance condition includes three variables, and covers, in a systematic manner, three important aspects of alliances: Collective strengths, interpartner conflicts, and interdependencies. The collective strengths of an alliance denote the aggregate of all the resources engaged in the alliance. They include all kinds of resources and serve as the rationale for partners to form an alliance.

The conflicts between the partners constitute the second critical component of alliance conditions, and refer to the degree to which partner firms have competing interests, preferences, and practices that cannot be easily reconciled in an alliance. Conflicts can be both between the parent organizations and within the context of an alliance. Das & Teng list a series of potential causes of interpartner conflict subdivided into two categories: incompatibility between the partners and opportunistic behavior lead by self-interest. First, firms have problems whenever there are too many differences in strategic orientations, technological systems, corporate cultures, risk perceptions, and managerial practices (Das & Teng, 1998b, 1999, 2001). Interpartner diversity can also create problems in interfirm cooperation. The second source of interpartner conflicts consists in the individual efforts of each partner to garner maximum benefits for itself. Conflicts may thus arise from incompatible goals, resource allocation disagreements, opportunistic behavior, knowledge imita-

tion, and competition in downstream markets.

The interdependency determinant can be seen as the core of interfirm relations because the relative dependence between two firms determines their relative power (Das & Teng, 2003). Interdependencies refer to the degree to which partner firms need each other for the achievement of their goals. Alliances will be formed only if there is a certain degree of mutual dependence in terms of the need for the resources. For this reason, a fairly strong interdependence between partners is a critical condition for the formation and sustainment of alliances.

In order to answer the research question, a revised version of the framework proposed by Das & Teng was used to analyze the data collected from a case study of the Renault-Nissan alliance.

### 3. Methodology

The figure 1 constitutes a revised version of the framework proposed by Das & Teng to evaluate the performance of an alliance according to its keys determinants. The precedent researches do not propose any survey or empirical analysis, leaving the opportunity to propose a study based on data gathered from an alliance. The propositions concerning the nature of the interrelations between determinants of partner analysis and alliance conditions are derived from the precedents researches and are used as a base for analyzing the data gathered in this case study. The notion of wasteful and surplus of resources initially presented in this framework has been omitted for several reasons. Firstly, these notions have not been thoroughly investigated in the precedents researches and the lack of literature regarding these resources characteristics makes the foundations of the analysis difficult to examine. Secondly, due to the performance analysis complexity of an alliance using the original framework, we preferred a simplified approach for the needs of the research. The following constitutes the original propositions made by Das & Teng regarding the nature of the relationships between the determinants of alliance performance as well as the effects of the determinants on the alliance performance.

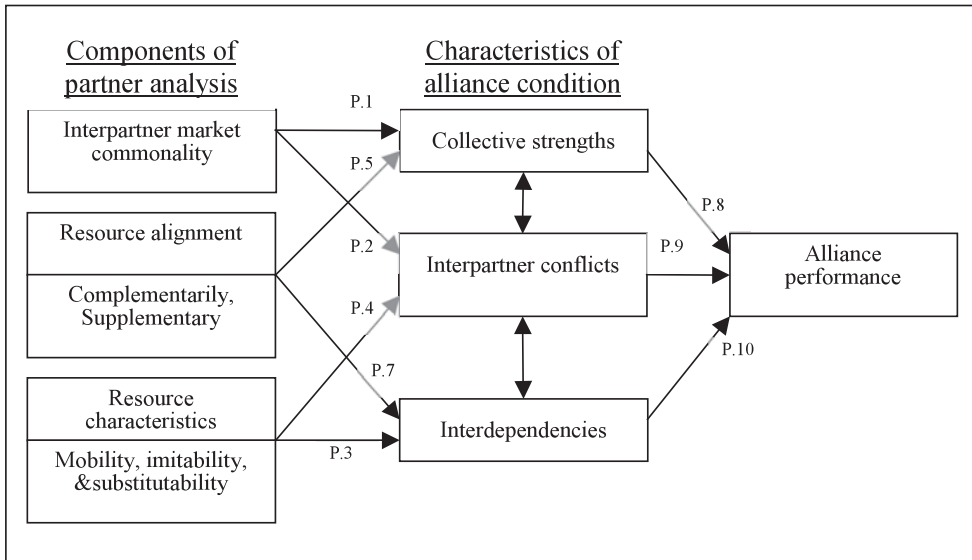
Proposition 1: Interpartner market commonality will be positively related to collective strengths in alliances.

Proposition 2: interpartner market commonality will be positively related interpartner conflicts in alliances.

Proposition 3: Resource mobility, imitability, and substitutability in alliances will be related negatively to the interdependencies of partners.

Proposition 4: Resource mobility, imitability, and substitutability in alliances will be related positively to interpartner conflicts.

Figure 1 . Determinants of alliance performance



Source: Revised from Das & Teng, 2003.

Proposition 5: The collective strengths of alliances will be related positively to supplementary and complementary alignments.

Proposition 6: Interpartner conflicts in alliances will not be related to supplementary and complementary alignments.

Proposition 7: The interdependencies of alliance partners will be related positively to supplementary and complementary alignments.

Proposition 8: The collective strengths of an alliance will be positively related to alliance performance.

Proposition 9: Interpartner conflicts in an alliance will be negatively related to alliance performance.

Proposition 10: Interdependencies between partners will be positively related to alliance performance.

This research will use a case study to gather the data necessary to the analysis of the alliance between Renault and Nissan. In order to link the data to the propositions, the approach of pattern matching (Yin, 1994) will be developed to test the different determinants and their interrelations proposed in this framework. The analysis will attempt to verify the validity of the mediating role that the determinants presented in this framework have on the alliance performance, and stated their positive or negative implications on the behavior of the alliance. The criteria for evaluating the findings are based on the proposition's verifications, and state the positive or negative effects or absence of linkages between determinants examined in this case study.

#### **4. Case Study: Renault and Nissan Alliance**

The following depicts briefly the situation of Renault and Nissan during the negotiations as well as the key terms of the agreement. The data were gathered from published information as well as internet resources such as the corporate web sites of the companies involved in this case study.

##### **4.1 Founding the alliance**

###### **Background of the Alliance**

Within the globalizing and consolidating automobile industry, one of the only ways to ensure long-term sustainability was to form a larger group in order to leverage market power. For revived companies such as Renault, an alliance was essential for the long-term sustainable growth necessary to become one of the world's top players. Finding a partner in Asia was therefore critical for Renault. For a financially troubled company like Nissan, finding a partner was the only mean of survival in the increasingly competitive global auto industry. In 1998, Nissan's debts were estimated at US \$ 21 billion or 2.5 times the equity. The outstanding results of the alliance between the French and the Japanese car maker raises a series of issues regarding the selection of partner as well as the necessity to assess the performance of the alliance.

Louis Schweitzer, Chairman and Chief Executive Officer of Renault, and Yoshikazu Hanawa, President, and Chief Executive Officer of Nissan Motor Co. signed the global partnership agreement in Tokyo on March 27, 1999, to strengthen Nissan's financial position and achieve profitable growth for both partners. For Nissan particularly, the alliance was seen as its key to survival. The base of the negotiations were settled on May 28, 1999, under the capital contributions and equity participations, by means of a reserved capital increase at 400 yens per share, Renault contributed 590.7 billion yen to the capital of Nissan Motor (4.6 billion euros/ \$ 4.86 billion) and 9.3 billion yen (71.8 million euros/ \$ 76.6 million) to the capital of Nissan Diesel. Renault acquired a 36.8% equity stake in Nissan Motor and a 22.5% stake in Nissan Diesel. In addition, Renault acquired Nissan's five financial subsidiaries in Europe for a total of 286 million euros (137.8 billion yen/ \$ 305 million). Renault has invested a total of 637.8 billion yen (4.9 billion euros/ \$ 5.2 billion).

Carlos Ghosn, previously Executive Vice President of Renault, was appointed Chief Operating Officer of Nissan. In addition, two other top Renault executives joined Nissan's senior management. Nissan and Renault actually cooperate and comply with the national and international procedures necessary for the implementation of the agreement signed on March 27. According to many observers, this alliance represents the last chance for both companies. For Renault, after the failed attempt to create a sustainable large-scale alli-

ance with Volvo and for the dept-plagued company Nissan, which needs a partner to save the company, especially after that Chrysler refuses the idea of a partnership. On its side, thanks to its net creditor situation at the end of 1998 and to the cash flow generated during the first half of 1999, Renault managed to limit the impact of its investment in Nissan on its own balance sheet and keep a sound financial situation, with debt of 171 billion yen (1.6 billion euros / \$ 1.7 billion) on June 30, 1999, equivalent to 18.6% of shareholders' equity. The Japanese financial specialists observed that 36.8% stake is "too much" and a more balanced equity share would have been preferable as a base of cooperation. However, the agreement provides to Nissan the possibility of taking an equity participation in Renault at a later date. The positive trend in the Nissan share, which reflects the market's confidence in Nissan's ability to achieve a turnaround and in the Renault-Nissan Alliance, added 61.2% in value (as of September 30) to Renault's investment in Nissan's capital. Renault's capital contribution greatly helped to reduce the indebtedness of Nissan and gave some positive perspective about a future collaboration in spite of the ambient skepticism of the media.

Regarding the management structure and exchange of personnel, the Annual General Meeting of Nissan shareholders, approved Ghosn's appointment to the Nissan Board of Directors on June 25, 1999 and constitutes the major managerial change for Nissan. Ghosn immediately assumed his duties as Chief Operating Officer, and brought with him 20 other Renault managers, and start implementing radical changes in the bureaucratic management of Nissan.

The staffs detached from Renault included Patrick Pélata, appointed Executive Vice President in charge of Product Planning, Design and Strategy, and Thierry Moulonguet, named Deputy Chief Financial Officer, and joined the Nissan Board as well. The Annual General Meeting of Renault shareholders appointed Yoshikazu Hanawa, Chairman, President and Chief Executive Officer of Nissan Motor, to the Renault Board of Directors on June 10, 1999. Hanawa has served on the Renault Board since that date. Further, Tsutomu Sawada, appointed Senior Vice President, Adviser to the Chairman, joined the Renault Management Committee (CDR) on September 1, 1999, and Yutaka Suzuki was appointed Senior Vice President, Alliance Coordination Bureau. They have been appointed in the following sectors: International human resources, finance and treasury, corporate planning, product planning, purchasing, manufacturing and engineering, marketing and South American operations. Nissan people have joined the ranks of Renault's management and have been appointed in the following sectors: Alliance Coordination Bureau, quality, project management, marketing and human resources.

**Alliance Management: Structure of the Alliance**

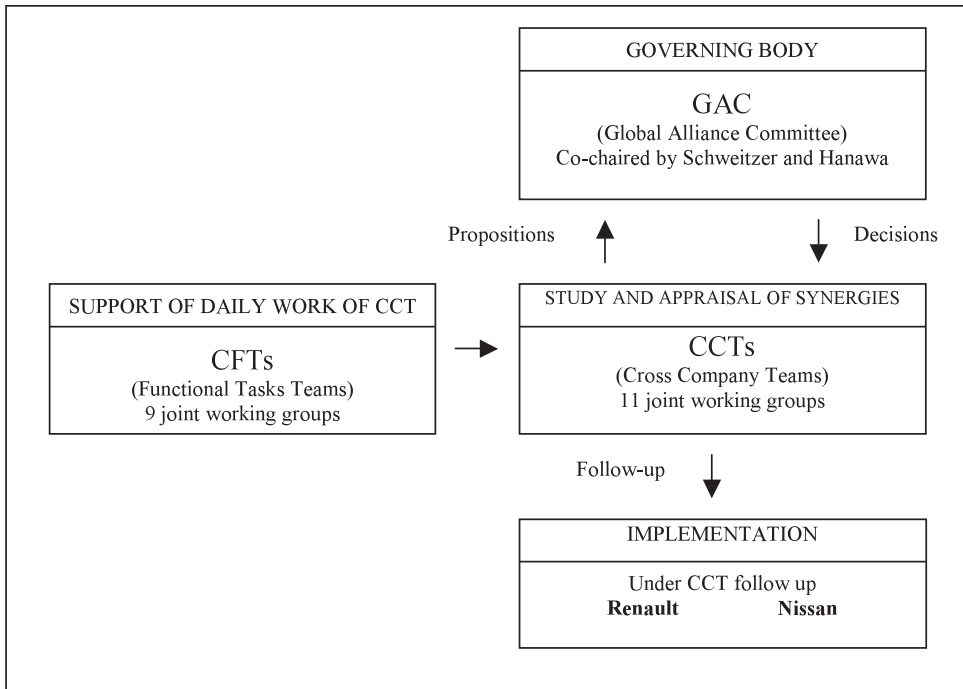
This strategic alliance was motivated by two primary motivations: The willing to exploit the potential synergies in joint product development, purchasing, quality and manufacturing and to combine complementary firms in order to create a firm of sufficient size to compete on a global basis. In this perspective, a transnational organization was created to define the global strategy for a profitable growth of the new entity and promote all synergies between the two companies, while respecting the brand identities of both partners.

This newly-formed combination which ranks fourth in the world automotive industry, with an output of 4.8 million vehicles, had the capacity to develop strong synergies worth US \$ 3.3 billion (390 billion yen/ 3 billion euros), for the 2000 - 2002 periods alone, and thus greatly improve its competitiveness. The links between Renault and Nissan would allow each partner to derive maximum benefits from each partner's strengths. The Global Alliance Committee (GAC) is the governing body of the Alliance and meets on a monthly basis (Figure 2).

It determines the strategy of the Renault-Nissan Alliance, reviews the projects presented by the joint operational teams, gives specific guidance on every project and authorizes their implementation. The International Advisory Board (IAB) provides advice and makes recommendations with respect to the evolution of the Alliance.

The operational organization's core consists of joint working teams (Cross Company Teams which are supported by Functional Task Teams) that are structured around six main activities: Product planning and strategy, powertrain, vehicle engineering, purchasing, manufacturing and logistics, and markets. Their mission is to draw up specific common projects, present them to the GAC and monitor their implementation. These common projects are of three main types: pooling of expertise and technical resources to develop joint components (platforms and powertrain); joint growth in markets where one of the two partners has a strong presence; harmonization of processes and standards would be achieved through the creation of common production platforms. The alliance created an organization, the Alliance Coordination Bureau (CB) to supports the CCTs and CFTs with an office in Paris and an office in Tokyo to facilitate long-term cooperation at the operational level and to promote a better mutual understanding. The two groups are implementing employee-exchange programs to this effect. The freshly created cross-functional teams drove reforms in various functional areas such as the harmonization of the IT systems or the definition of quality and reliability standards. The CFTs generated over 2000 ideas, which were later incorporated into the NRP.

Figure 2 . Organization structure of Nissan Renault Alliance



Source: Corporate web site of Renault.

**Decision-Making and Coordination Structures of the Alliance**

The Global Alliance Committee, which met on an informal basis for the first time on June 9, 2000, met again in Tokyo on July 28, then in Paris on September 22 of the same year, and is now convening on a monthly basis. As the governing body of the Alliance, the GAC defines joint strategy and decides on the implementation of cooperation or synergies proposed by the Cross Company Teams. The GAC is chaired by Louis Schweitzer, Renault Chairman and Chief Executive Officer, and Yoshikazu Hanawa, Nissan Chairman, President and Chief Executive Officer. The Cross Company Teams work together on an ongoing basis.

The Product Planning CCT is under joint leadership from Nissan and Renault. For the other ones, the leaders are from either Nissan or Renault and work jointly with a deputy leader from the other company. Each CCT includes in addition a pilot and a pilot counterpart. Both are responsible for the day-to-day work of their CCT and coordination of a team comprising 6 to 15 members. A total of about 150 staff from Renault and Nissan are involved in CCI work. In each company, the work carried out by the CCTs, is coordinated by a Steering Committee, which brings together approximately every two weeks the leaders or deputy leaders of the CCTs. Chaired at Renault by Georges Douin, Executive Vice President, and at Nissan by Patrick Pélata, Ex-

ecutive Vice President, the Steering Committees prepare for the GAC under the leadership of the Alliance Coordination Bureau, which centralizes information, assesses requirements and coordinates CCT work. The Bureau has an office in Paris headed by Yutaka Suzuki, and an office in Tokyo, headed by Akira Ishii. Functional Task Teams also provide everyday assistance to the CCTs, particularly in the area of information systems, engineering standards, quality, and fiscal and legal affairs. Finally, an Alliance charter has been drawn up for members involved in both companies.

The GAC that constituted the main governing body of the alliance was replaced by a new structure called Renault Nissan BV (Board Venture). This evolution responds to the necessity of having an equally shared decision power among the partners of the alliance. Chaired by the president of Renault and co-chaired by the president of Nissan, the committee is completed by six more members representing equally the two companies. This new governing entity was meant to have a broader role and enhanced power than the GAC created in 1999. The first meeting of the board venture was held on May 29, 2002.

### **Key Features of the Alliance Management**

Since May 28, 1999, date of the closing of their agreement, Renault and Nissan have rapidly completed a number of vital stages. These relate both to the basis of the Alliance and to the implementation of synergies between the two groups. Work already done by the Cross Company Teams confirms the transaction rationale and feasibility of the objective of overall savings of \$ 3.3 billion (390 billion yen/ 3 billion euros) for the 2000-2002 periods alone. In the longer term, these synergies planned to reach \$ 3 billion each year from 2005. Toward these objectives and motivated by the commitment of the top management, Nissan and Renault managers and engineers have tried to establish a close working relationship.

### **Operating Strategies**

The 12 Cross Company Teams are now all carrying out in-depth work assessing and proposing the realization of the synergies between Nissan and Renault. The CCTs are in charge of assessing the opportunities for cooperation in the short, medium and long term and identify and confirm the fit in terms of markets, products, production sites and engineering capabilities.

In the area of purchasing, Renault and Nissan are actively establishing a coordinated worldwide purchasing policy. This purchasing policy would create savings including all purchases: Vehicle and powertrain components (over 60% of the total), raw materials, tooling and equipment, purchase of services and logistics, and spare parts. This coordinated purchasing policy is based on

detailed benchmarking, which could lead to the sharing of certain sub-systems, with a dual advantage: Better products and greater purchasing power.

In the product planning area, a coherent combined strategy, carefully preserving separate product and brand identities, seeks to rationalize product range plans, in order to gain maximum benefit from the policy of common platforms, powertrain and other components. In the short term, the cross-badging of some products is being established. Opportunities have been identified in the field of LCVs, pick-ups, 4 WD and entry-level cars both in Europe and in other regions.

In the area of vehicle engineering, a team of engineers from both companies led by Nissan developed the first common platform, known as the B platform. Respecting the specific identities of each brand and particularities of each product, it will be used as a base for the vehicles replacing the Nissan March (Micra in Europe), and Cube and the Renault Twingo and Clio. The first vehicles to be assembled on this platform were introduced in 2002. The policy of building common platforms, on which each brand will develop its own specific product range, will be continued in the coming years and Renault and Nissan are looking to have 10 common platforms by 2010. By developing its own vehicles on these platforms, each brand will generate considerable economies of scale, increasing to 500,000 units the average production volume for a platform, compared to 280,000 currently at Renault and 100,000 at Nissan. In the case of a large-volume segment such as the B segment, overall forecast volumes on the B platform will exceed one million a year. In addition, other components will be shared in so far as they do not affect brand differentiation.

Renault and Nissan are also jointly researching in the area of engineering, notably in vehicle weight reduction, hybrid vehicles and x-by-wire systems. In the area of powertrain, Nissan and Renault are also seeking to rationalize and make better joint use of their ranges of engines and transmissions, at highly competitive prices. The objective for 2010 is an average production volume of more than 500,000 units per powertrain family based on a common range of engine families. This figure could reach a million units for mainstream powertrain (versus 320,000 units on average currently at Renault and 140,000 at Nissan).

Teams have started to study and make action plans for this strategy and have already addressed together important issues: Joint development of a new small diesel engine; Use by Renault of Nissan's V6 engine; In the area of transmissions; and other joint developments are currently being considered.

### **Global Strategies**

In Japan, when the contract between Renault and its current importer,

the Yanase / France Motors group, came to an end on May 1, 2000, Renault's intention, was under study with the different parties, to import its own vehicles using Nissan's back-office resources (homologation, preparation, storage, transport). It would sell them through two non-exclusive distributor networks: the Yanase/France Motors network and a part of the Nissan network. Through this approach, Renault's intention is to sell ten times as many vehicles in the medium term and to target annual sales volumes of 30,000 vehicles or even more.

In Europe, where both Renault and Nissan have a presence, the alliance is in the process of reorganizing the sales and marketing operations and setting up a joint market organization to achieve economies of scale in marketing and sales. Specifically, the alliance will set up common hubs and pool all their back-office functions, while keeping their distinct brand identities and face-to-face customer contact points. As a result, Nissan's sales and marketing operations based in Amsterdam will be combined with Renault's in Paris, cutting 817 jobs within Nissan and adding 337 jobs to Renault. The alliance estimates an overall benefit of US \$ 1 billion over a five-year period (2000-2005) as a result of cost cutting measures and increased brand presence and sales for both companies.

In the Asia-Pacific region, cooperation already started in Australia, where Renault is selling its vehicles through Nissan's existing distribution network since 2000. In other countries in the region, such as Malaysia, the Philippines, Taiwan and Thailand, where Nissan is mostly represented by independent companies, Renault developed its operations with these companies, supported by Nissan.

In South America (Mercosur), Renault and Nissan are establishing a project, which will include a wide cooperation in the area of sales, purchasing and manufacturing. December 1999, Renault made an announcement to return to Mexico with support from Nissan, the second largest car maker for the Mexican domestic market, with a market share of 22% on sales and manufacturing in 1998. Specifically, Renault will produce two product lines at Nissan's Mexican plants for sale through Renault dealers mostly developed through Nissan's existing dealer network. This project ensures a better utilization of Nissan's industrial capacity and allows Renault to move back into a major high-growth market in the most cost-effective way possible. As for the sales area, because Nissan is the only major car manufacturer not to have sale finance companies in Mexico, both partners are working with Renault Credit International to set up a Mexican sales finance company. Nissan now has a long-term strategy to expand its presence in Mercosur markets with strong sales and manufacturing support from Renault, which is currently the fifth largest

player in the region. Consequently, Nissan will be able to minimize its entry costs while focusing its investments on strengthening the product line-up. For Nissan, this will be the first significant market expansion taking advantage of the alliance with Renault. According to the plan, Nissan started to produce the new Frontier Pickup model in Renault's Brazilian manufacturing facilities from 2002, and will produce five products locally by 2005 and sell more than 150,000 units by 2010.

The work that being carried out by the Renault Nissan BV (Board Venture) through the CCTs and based on an overall strategic vision that aims to promote global profitable growth for the Renault-Nissan Alliance. The Alliance's decision-making, coordination and implementation structures were established very quickly and were operational by the end of June 2001.

## **4.2 Health of the alliance 1999-2003**

### **Nissan Revival Plan (NRP)**

The complexity of the revival plan and the broad scope of changes and actions implemented to put Nissan back to profit, demonstrates the financial and human involvement of both partners in the alliance. When the NRP was first announced, Nissan's executive committee outlined three bold commitments:

- A return to net profitability in fiscal year 2000;
- A minimum operating income to sales margin of 4.5% by fiscal year 2002;
- Consolidated net automotive debt reduced 700 billion yen by fiscal year 2002.

To show his commitment to Nissan's objectives, Ghosn publicly announced that if any of the three goals were not achieved by March 2003, he would resign from his position. The NRP combines initiatives to grow Nissan's business and market presence and reduce costs by 1 trillion yen and net debt from 1.4 trillion yen to less than 700 billion yen by the fiscal year 2002. " While cost cutting will be the most dramatic and visible part of the plan, we cannot save our way to success," said Ghosn, Nissan's chief operating officer, emphasizing the importance of R&D and sales growth. Ghosn said investing in new products was vital to restore Nissan's brand power and increase worldwide market share and profitability. The 1 trillion yen cost reduction was to be achieved in three major areas: global purchasing; manufacturing; and sales, general and administrative costs. Three assembly plants in Japan were closed around March 2001 and two powertrain operations were closed in March 2002. Worldwide headcount was reduced by 21,000 and key functions were globalized. A 200 billion yen provision was constituted in the fiscal year 2002 to absorb the costs of

the restructuring program. Reducing purchasing costs is a key component of the Plan's overall success. Purchasing policy will be centralized and executed globally in contrast to the current regional/country by country basis. Purchasing costs, which represent 60 percent of the company's total costs, will be reduced by 20 percent over three first years of the alliance and the number of parts and materials suppliers was reduced by 600 before 2002.

The significantly increased economy of scales for parts and materials was meant to benefit Nissan's "partnership suppliers" and deliver substantial cost savings for the company. A significant part of the overall cost savings will come from how Nissan works with its suppliers. Under a program called "3, 3, 3" Nissan purchasing and engineering will work more closely with suppliers, sharing worldwide best practice and performance in technology, quality, cost and delivery. Nissan intends to challenge its own specifications and standards while protecting its established reputation for quality and reliability. The NRP outlines the company's target for achieving manufacturing efficiency and global cost competitiveness. Nissan's manufacturing plants, including in Japan, achieve world-class productivity, however the company has become burdened by excess production capacity and high fixed costs. Nissan will reduce capacity in Japan and simplify its production scheme to further develop a lean and flexible manufacturing base. Consequently, Nissan implemented the following plant closures: car assembly plants in Murayama, Shatai Kyoto and Aichi Kikai Minato; and Powertrain operations of Kurihama Plant and Kyushu engine Shop.

In Japan, current production of 1.28 million units annually represents 53 percent capacity utilization. Under the Revival Plan, capacity in Japan was reduced by 30 percent to 1.65 million vehicles, raising the utilization rate to 82 percent before the fiscal year 2002. The plant closures, however painful, was meant to guarantee the future of the remaining plants by allowing them to be industry leaders, both in terms of productivity and cost effectiveness", Ghosn said, adding Nissan will take advantage of the reduction in the number of platforms to further simplify the manufacturing scheme. Nissan's current complex manufacturing structure in Japan includes producing 24 platforms at seven assembly plants. Under the 2002 plan, Nissan achieved 2 platforms divided between four plants, and in 2004 will have 12 platforms divided between four plants. Nissan greatly reduced its costs by rationalizing logistics.

Sales, general and administrative costs are to be reduced 20 percent by cutting incentives, rationalizing worldwide advertising and reducing bureaucracy; the company will be changed from the current multi-regional organization into a truly global company. The Japanese dealer organization will be streamlined including closing 10 percent of the retail outlets; in the United

States, the regional organization will be streamlined. Financial operations worldwide will be centralized to develop global financial controls and risk management. Ghosn declared "Our objective is to free resources from non-strategic, non-core assets and invest more in our core cars business while at the same time significantly reducing our debt... The aim is to grow the company, not shrink it." R&D will be re-organized to give each region more responsibility for their entire product line while creating a globally integrated organization.

While R&D will focus on enhancing core technologies, specific R&D resources will be dedicated to cost reduction activities with suppliers. Nissan will increasingly rely upon suppliers to reduce development time and costs and will closely integrate suppliers into the design and development process. The company wants to reduce the gap between a model's debut in Japan and its launch in overseas markets. Nissan will look to its Alliance partner Renault to further share research, advanced engineering projects and common platforms; the Clio, Twingo, March and Cube models will be the first to share a common platform. "All of these actions will allow us to increase our technological strength and boost R&D output, while minimizing the amount of additional resources necessary," said Ghosn. "The objective here is not to merge Renault and Nissan R&D organizations, but to make a precise and swift division of the tasks and projects, avoid duplication and support early adoption of common standards and common suppliers." Highlighting the growing links between the Alliance partners, the companies are seeking to establish in Europe common hubs and common back offices; and in a select number of European countries, common operational entities. In South America, Nissan will increase its presence using the existing Renault organization and infrastructure. Renault Credit International is planning to establish a Mexican sales finance company to support Nissan's sales and profit development.

The 21,000 worldwide headcount reductions would be achieved through natural attrition, an increase in part-time employment, spin-off of non-core businesses, and early retirement. In Japan, a performance-based career advancement program will be established. Worldwide, a performance-oriented compensation system for management will be implemented in 2000. Bonuses and stock options will be incentives to boost Nissan's profitability and growth. An international team of 200 Nissan managers developed the NRP. "What this global team has done is to fully understand the root causes of our current problems and develop solutions that allow Nissan to act decisively," said Ghosn. Yoshikazu Hanawa warmly welcomed the NRP. He said, "This Plan marks a new era for our proud company and we will implement it with indomitable resolve." In announcing the NRP, Ghosn underlined Nissan's commit-

Table 1 . Renault and Nissan Alliance worldwide sales

	2002 <sup>(2)</sup>	2001 <sup>(2)</sup>	%change2002/2001
Renault group	2,403,975	2,413,038	-0.4%
– Renault	2,229,112	2,287,804	-2.6%
– RSM <sup>(a)</sup>	117,088	70,788	65.4%
– Dacia <sup>(a)</sup>	57,775	54,446	6.1%
Nissan group	2,735,530	2,580,757	6.0%
– Nissan	2,640,650	2,505,627	5.4%
– Infiniti	94,880	75,130	26.3%
Renault – Nissan Alliance	5,139,505	4,993,795	2.9%

(a) Domestic market sales and exports.

Source: Renault annual report, 2002.

ment to become globally competitive, achieving growing market share and profits based on a bold brand and desirable products. “This plan shows that not only can Nissan recover and become a strong company again, but, walk tall with Renault as the world’s fourth largest car maker,” Ghosn added, “We must be bold to be strong again.” The results were striking, and when the 2001 financial statements were disclosed, Nissan’s executive committee announced that each of these commitments had been met, one full year ahead of schedule. Nissan attributed this performance to several factors, including: Purchasing costs have been reduced; Capacity reduction and improved productivity enhanced manufacturing efficiency; The domestic sales system has been revamped, reducing sales and administrative costs, and increasing efficiency; Worldwide staffing has been brought in accordance with the needs; Non-core assets have been sold; Efficiency in R&D has increased; New lineup of Nissan products is winning market share worldwide (Table 1).

### 4.3 Future perspective of the alliance

In early 2002 the Nissan executive committee unveiled Nissan 180, a new plan focusing on profitable growth. The objectives of Nissan 180 are clear from its name. 1: Sell an additional 1 million units worldwide by fiscal year 2004 relative to fiscal 2001 figures. Achievement of this goal will be measured between October 2004 and September 2, 2005; 8 : Realize an 8 % operating margin over the full fiscal year 2004, the third year of the Nissan 180 plan, under constant Japanese accounting standards. This margin should position Nissan at the top level of profitability in the automobile industry worldwide ; 0 : Achieve zero net automotive debt by the end of fiscal year 2004 (March 31, 2005), under constant Japanese accounting standards. These goals are to be achieved by: generating more revenue; reducing costs; increasing both

quality and speed; and maximize the Alliance with Renault. To that end, Nissan intends to step up the pace of new-vehicle launches and nine new models were released during the NRP.

In fiscal 2002 alone, 12 all new products will be launched worldwide. Over the Nissan 180 period, a minimum of 28 new models will be launched across all segments, throughout the world. Rebuilding a strong position in Japan is a cornerstone of Nissan 180, as strength in the domestic market will sustain Nissan's presence elsewhere around the world.

## **5. Analysis of Renault Nissan: Determinants of Alliance Performance**

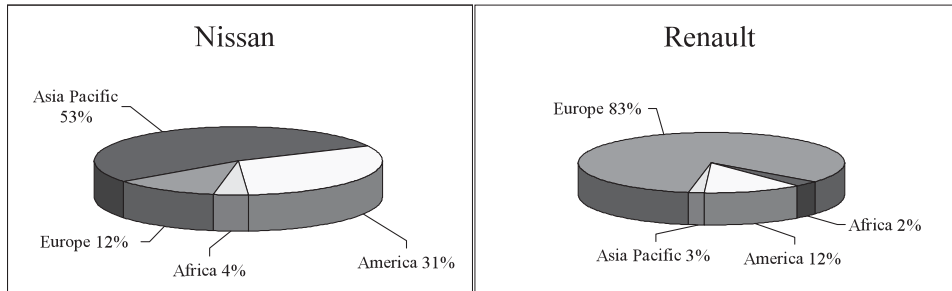
The presentation of the cooperation between the two companies exposes the complexity and the broad scope of operation of this alliance. In order to understand the bases of the cooperation and identify the determinants of the present alliance performance, the partner analysis appears to be useful. The following analysis includes four patterns constituted by the elements of the partner analysis and alliance conditions according to the propositions made earlier in the methodology. Only four patterns have been identified while examining this case because of the lack of element confirming the existence and the influence of the interpartner conflict on the other determinants of the framework, and the alliance performance. The verifications of the proposed relationships between partner's resources, alliance conditions, and alliance performance are summarized at the end of this section.

### **5.1 Pattern analysis 1: Interpartner market commonality, collective strengths, and alliance performance**

Das & Teng suggests that the degree of interpartner market commonality will be positively related to the collective strengths of the alliance. When two alliance partners compete mainly in similar product categories and market segments, their market share, and therefore their market power will be a direct sum of the shares. By comparison, it is more difficult for partners that compete in different markets and industries to garner similar market power. For example, in the automobile industry, Renault and Nissan represent a good example of how a cooperative agreement can enhance strengths in common business areas.

A high degree of market commonality suggests that a competitor has a substantial presence in markets that are important to the focal firm. Renault's business was concentrated in Europe while Nissan generated a large portion of its revenues in the Asian pacific region and in the US. Overlapping businesses enable the partners to take advantage of the economies of

Figure 3 . Renault and Nissan worldwide sales (%) before the alliance



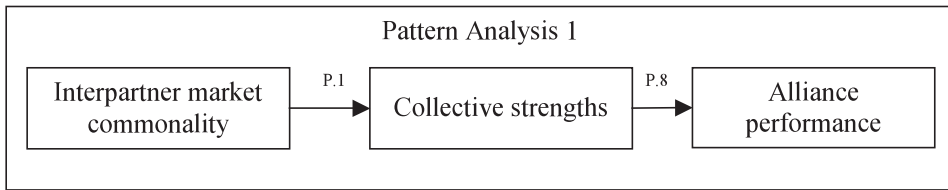
Source : Renault annual report, 2002.

scale more easily. While both partners are major car companies in their respective country, their geographic locations suggest some differences in market focus (Figure 3). In reference to the framework of partner analysis, it would appear that the market commonality of the two firms had a positive influence on the collective strengths of the alliance.

This alliance enjoyed the advantages of the geographical synergies of a new group and develops its market presence in other markets.

In the annual report of 1999, Renault estimated that “Nissan helped Renault to return to Mexico, and expand in Japan and the Asia Pacific region, while Renault supported Nissan in Europe and the Mercosur countries. The Proposition 1 concerning the positive relation between the interpartner market commonality and collective strengths of alliances appears to be supported. Das & Teng report that geographic overlaps between firms create problems in alliances.

The situation of the alliance Renault-Nissan reflects a medium level of market commonality if we consider the differences between the market focus and the geographical situation. It is possible to evaluate the potential threat of a competitor by considering the two dimensions of market commonality that is the strategic importance of a particular market to the focal firm and the presence of the other firm in the particular market. Renault has a strong position in Europe with 83% of its total sale while Nissan realize only 12% of its sales in the European region. The reverse situation occurs in the Asia Pacific region where Nissan realize 53% of its global sale against 3% for Renault. A low level of market commonality suggests that a competitor does not have a substantial presence in the market that is important to the focal firm. Although direct competitors in the same market may also have common goals, such as setting technology standards, their conflict level is almost always higher than non-competitors. Non-competitors may not have many overlapping goals, but the fact that they do not compete for the same customers suggests negligible conflicts of interest. Conflicting interests among partners



make it very difficult to align the long-term interests between direct competitors. Balakrishnan & Koza (1993) also found that the stock market reacts more favorably to joint ventures formed between partners who are in dissimilar businesses. One of the key determinants of alliance performance is the collective strength of the partner firms. The objective when creating alliances is, after all, to combine, and exploit the resources of the partner firms. The more collective strengths the alliance accumulates, the better its chances for satisfactory performance. This determinant constitutes one of the most important of the framework if we consider that the sum of the collective strengths constitute the base of the collaboration and the source of the alliance performance.

The turnaround achieved under the alliance with Renault allowed Nissan to post a 33 percent improvement in profits for the fiscal year 2002, and to wipe out the debts that affected its business for a decade. Auto-sector related debts, which had totaled 2 trillion yen in 1999, before Nissan entered the Renault partnership, were all gone, said Nissan Chief Executive Ghosn. (Debts stood at nearly 3 trillion yen a decade ago). This performance is the result of the combination and management of the resources involved in the alliance.

We discussed earlier, that collective strengths depend on the type of alignment between the partners' resource contributions. One cannot assume any evident truth such as "the more partner resources, the more collective strengths". It is ultimately the collective strengths based as much upon resource alignments as upon the volume and variety of partner resources that will be directly responsible for better alliance performance.

This research suggests that the collective strengths of an alliance contribute positively to the goal achievement of individual partner firms. Consequently, we evaluate alliance performance in terms of the overall goal achievement of all partners involved in the alliance.

## **5.2 Pattern analysis 2: Resources characteristics, interdependencies, and alliance performance**

### **Resource Characteristics and Interdependencies**

The resource-based view suggests that valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes (Barney et

al., 2001). According to the resource-base view of the firm, mobility, imitability, and substitutability are three important resource characteristics. Thus, we can examine the overall resource profile of the partners presented in this case study on the basis of these characteristics. While mobility measures the degree of tradability of resources in the factor markets, imitability is about replicating the valuable resources of others, and substitutability is concerned with meeting the same need through other resources.

The resources involved in the alliance between Renault and Nissan are classified according to the resource characteristics and resource types classification presented in Table 2 (Das & Teng, 2000). Renault strength in R&D lay in its design know-how, a skill that Nissan needed to attract new customers.

Nissan on the other hand possessed strong engineering capabilities in terms of which Renault was lagging behind, and especially in larger displacement engine such as pick-up truck and 4 WD. Renault appears to have also superior capabilities in supply chain rationalization, a necessary skill to turn Nissan into a profitable company. Renault's innovation in terms of design is part of the corporate culture, and core competencies involving technological and organizational resources characterized with imperfect mobility and imperfect imitability.

The staffing issue and the cost rationalization skills of Renault's managers was determinant in the turnaround of Nissan. However, even if the powertrain technology brought by Renault presents the characteristics of imperfect imitability, the technology may be assimilated by Nissan's engineering department, and could have negative effects on the partner's interdependencies. We argue that imperfect mobility, imitability, and substitutability are important for alliance formation. Should a firm's needed resources be perfectly mobile, imitable, and substitutable, then there will be little or no need for joining forces with other firms. The firm in question can purchase the resources in the market, replicate the same resources on its own, or develop other resources for the same usage. These three imperfect resource characteristics constitute a barrier in procuring resources independently. As a result, strategic alliances are formed to obtain access to needed resources. After the alliance is formed, the mobility, imitability, and substitutability of the contributed resources continue to affect the degree of interdependence between partners. Imperfect

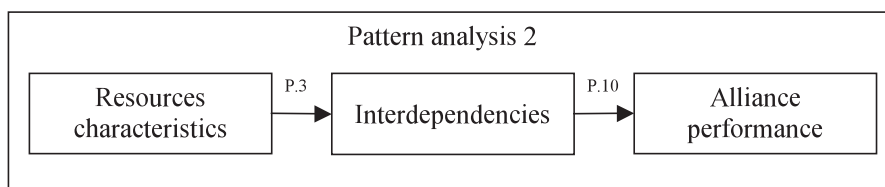


Table 2 . Typical resources-based on resources characteristics and resource types

<i>Resource Characteristics</i>	<i>Resource Types</i>	
	<i>Property-Based Resources</i>	<i>Knowledge-Based Resources</i>
Imperfect Mobility	Human resources	Organizational resources (e.g., culture)
Imperfect Imitability	Patents, contracts, copy- rights, trademarks, and registered designs	Technological and mana- gerial resources
Imperfect Substitutability	Physical resources	Technological and mana- gerial resources

Source: Das & Teng, 2000.

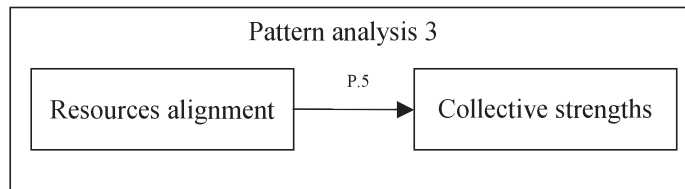
mobility means that one firm has to stay in the alliance in order to secure continued access to the particular resources. Similarly, imperfect substitutability suggests that needed resources are unique, and can be accessed only by continuing to be part of the alliance. For instance, financial resources are usually not substitutable. Financial resources for risky R&D projects are even less substitutable because very few institutions would be interested, and able to finance such projects. For instance, in 1999, Nissan needed Renault's financial help to save the company from a critical situation.

### **Interdependencies and Alliance Performance**

Because interdependence is a condition that favors alliance formation, decreasing the levels of interdependence may pose a threat to the alliance. If partners do not need each other any longer, then the alliance will not be successfully sustained. We assume that interdependencies create a necessary condition for a successful alliance. In addition, interdependence contributes to alliance performance as it leads to increased commitment and trust. Accordingly, we propose that interdependence is a critical determinant of alliance performance because various other explanations such as learning, changing bargaining power, changing resource needs, and changing market conditions can all be subsumed under the interdependency determinant.

### **5.3 Pattern analysis 3: Interpartner resources alignment, and collective strengths**

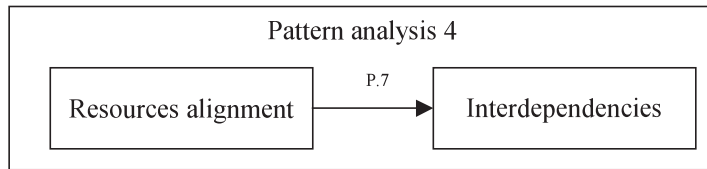
Supplementary and complementary resource alignments have decided impacts on the collective strengths of an alliance. The resources alignment refers to the pattern that the partners are using to integrate the resources in the alliance. Renault and Nissan are sharing resources to realize economies of scales and leveraging the complementary strengths in products, market and



know-how to improve efficiency. The area of complementary expertise of Renault and Nissan allowed rapid headway in several strategic areas. Renault benefits from Nissan's know-how in manufacturing processes and, Nissan gains from Renault's experience in marketing, design, platform strategy, and financing of sales and services. In manufacturing, Renault has received support from Nissan in the training and dexterity of operators, problem solving, control of delivery times and production programs. Renault Production Way (French acronym SPR) has benefited considerably from this support. The Exchange of know-how with Nissan had also improved the shipment of unassembled vehicles. A concrete example of these resource complementarities would be the common use of complementary technologies to produce new models of car such as the new March, or the new Renault Velsatis. Clearly, the complementary characteristics of the resources involved in the alliance allow the partners to achieve superior efficiency through the development of synergies.

#### **5. 4 Pattern analysis 4: Interpartner resources alignment and interdependencies**

In contrast to supplementary resource alignments, the notion of complementary resource alignments has received broad research attention. This could be explain if we consider that the rationale for a firm seeking an alliance is often to gain access to needed resources it does not possess. In any event, such an alignment clearly contributes to the collective strengths of the alliance. Partner firms' supplementary and complementary alignments increase the interdependence of the firms in question. Assuming symmetrical resource contribution, the more performing resources that are brought into an alliance, the more the partners will need each other. The amount of resources needed reflects the degree of mutual dependence, be it a case of similar or dissimilar resources. Clearly, more supplementary and complementary resources accentuate the degree of dependence. The following presents concrete examples of the efficient use of collective strengths for the development of functional synergies. In logistics, Renault and Nissan are jointly defining a global system, having already established joint systems for parts procurement and vehicle transport in Europe. The partners have put into place a joint evaluation method incorpo-



rating the two group's best practices and common standards as well as a Quality Charter. Expertise and resources are being pooled in management of parts and accessories.

In addition, the partners exchange market research on products. Efforts are also under way to harmonize cost control as well as legal and tax matters. To prepare for the mid and long term, Renault and Nissan are working jointly on advanced research and engineering in the areas of vehicle weight reduction, emission control, hybrid vehicles, x-by-wire systems, and navigation systems.

For fuel-cell vehicles considered by the partners as a crucial research project, Nissan and Renault have implemented a 10 year development program, with Nissan conducting the first stage, out to 2005, and Renault the second, out to 2010.

**Purchasing:** The Alliance is establishing a coordinated purchasing policy, starting in Europe, then worldwide. It is expected to result in US \$ 1.7 billion overall savings over three years, benefiting from better product quality and greater purchasing power.

Nissan has already dispensed with 20% of its subcontractors, and its plan is to reach 50% (600 out of 1200).

### **Product Planning**

The alliance is seeking to establish a product planning policy of common platforms, powertrains and other components, while preserving separate product and brand identities, so as to generate economies of scale. For example, future Clios and March will benefit from identical components. In the area of vehicle engineering, the alliance expects to produce a total of 10 common platforms by 2010, starting with its first common platform, to be known as the B platform. The alliance is also starting a joint study in the area of research and advanced engineering in vehicle weight reduction, hybrid vehicles and x-by-wire systems. In terms of complementarities, Renault cars will use Nissan 21 engines (this is the case for the new Renault Velsatis, for example) and Nissan cars will also use small motors from Renault.

Concerning the distribution in Europe, Renault and Nissan are jointly setting up a new policy for their distribution system by using more powerful major joint dealers managing local networks of separate dealerships in a given

territory. This strategy will allow each partner to boost its revenues and reduce distribution costs, while maintaining separate brand identities through separate outlets. Renault and Nissan's objective is to restructure and to strengthen the European network in a short term. Reducing distribution costs will not be limited to the dealer network: Renault and Nissan want to identify and implement back office synergies (for instance parts and vehicle logistics) between the two companies at a national and European level which can minimize the structural costs of distribution. Both Renault and Nissan will retain their own sales force and marketing organizations to maximize the sales potential of the Renault and Nissan brands.

The alliance is jointly setting up a new policy on a global basis for its distribution system by creating common hubs, starting in Europe. The details of progress in each the geographical market is described below.

In Japan, by taking advantage of Nissan's existing distribution network, Renault has begun an entry into the Japanese market at minimum cost and investment. Renault has already set up a wholly owned subsidiary, Renault Japon, as the exclusive importer of Renault vehicles in Japan. Furthermore, some 50 Nissan outlets began marketing Renault vehicles in 2000 and the network will grow to more than 150 outlets in the coming years. The goal is to increase Renault sales in Japan to 15,000 vehicles in 2004, growing to 30,000 units annually over the long-term.

In addition to building the sales network for Renault in its role as a distributor, Nissan will provide sales outlet management and follow-up, conduct sales staff training, promote sales and after-sales services and run local advertising campaigns. The reform process for Nissan already seems to be bearing some fruit as sales prospects are going up: orders for the new Bluebird model reached 8500 cars, compared to the target of 3000 cars. Nissan has also reorganized its sales outlets into two distinct types in order to effectively target different customer segments.

The dissimilar resources brought in the alliance of Renault and Nissan suggest a high level of complementary strengths, suggesting a high degree of interdependency. The common buying policy, that originally did not appear in the objectives of the alliances demonstrate the partners intend to sustain and increase the level interdependency over time. New projects are now under runs to broaden even more the scope of the alliance by proposing a common organization toward different sectors such as Logistic, distribution systems and IT network. A high level of interdependencies would be positively related to performance if we assume that the partners still need each other to reach their objectives through profitable synergies (Das & Teng, 2002). In 2001, Renault allocated 1,908 million to its R&D budget, the equivalent of 5.6% of

its sales. This 5 %rise compared to the 2000 is firmly grounded in the automaker's new Automobile Creator' ID since R&D underpins creation. Over the past two years, more than 1,000 engineers and technicians have joined the group's R&D teams. The French group is also using its ties with Japanese Nissan, through the speedup of some programs, task sharing, and savings incurred by using common components.

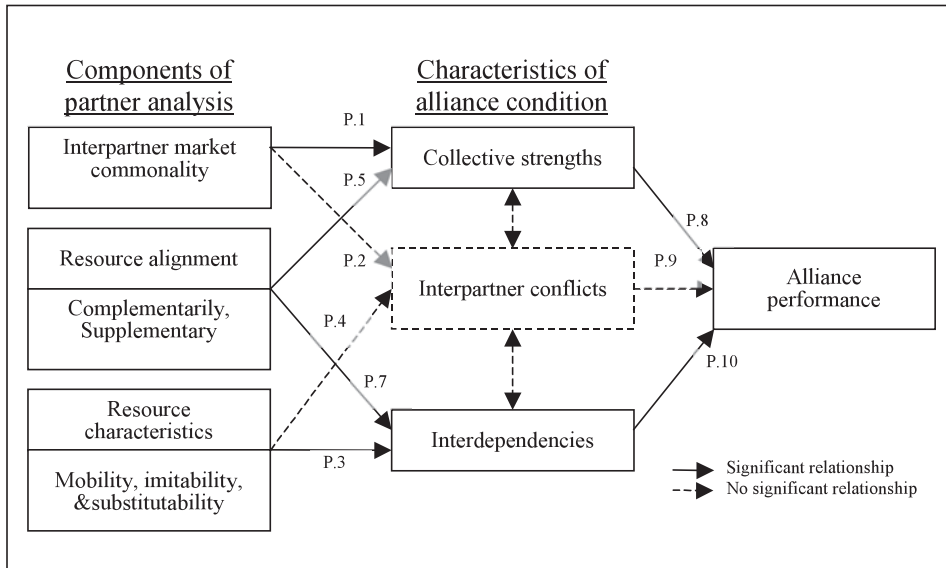
### **5.5 Interpartner conflict determinant**

According to Das & Teng, interpartner conflicts do not contribute to alliance performance—even if they are ultimately managed or resolved—because they slow down decision-making and consume organizational energies. Performance will also suffer if the organizational cultures and the managerial practices are incompatible. There were a number of differences between Renault and Nissan, such as language, decision-making processes, communication pattern, accountability and labor-management relations. Probably, the most pronounced difference was the individualistic nature of a French company versus the group-orientation of a Japanese company. In a typical French company, decisions are made either by majority or by someone on a position of authority, whereas in Japan, decisions are based on consensus and are made through a bottom up process. This study has not permitted the verification of the interrelation of the interpartner conflict with the other determinants and the impact on the performance (Figure 4).

The absences of concrete proofs of evident conflicts hindering the functions of the alliance constitute one possible answer to the questions regarding the high performance of this alliance. However, in spite of these differences in corporate culture and management, there are also a number of similarities regarding the characteristics of the two companies. They were both large and bureaucratic organizations with very hierarchical structures; They were both mature companies with long histories; Many of their employees were former civil servants or graduates of the elite schools without entrepreneurial talents; They had both a permanent employment system and finally, due to excess of weight and inefficiencies generated by the organizations, they suffered from increased competition in the automotive industries.

If the dissimilarities in the decision process and the corporate culture of the two companies are likely to create conflicts, the organizational structure and the characteristics of both companies suggest potential fit in terms of cooperation.

Figure 4 . Renault and Nissan's determinants of alliance performance



## 6. Conclusion

We intend through this case study to analyze the antecedents of a partnership in order to identify the determinants of alliance performance and establish the success pattern of Renault and Nissan alliance. The table 3 summarizes the verifications of the propositions regarding the nature of the linkages between the determinants proposed in this framework and the performance of this alliance.

The first presented pattern involves the relationship between the partner's market commonality and its influence on the collective's strengths of the alliance. Originally, the alliance between Renault and Nissan was aiming at realizing economies of scales through overlapping business, but not on overlapping market. The partners obviously do not have a strong presence on the market that is important for the firms. As a result, the market commonality determinant has a positive but only a weak impact on the collective strengths of the alliance. Partner's collective strengths are positively related to alliance performance. We assume that the more collective strengths, an alliance possess, the more the chance for satisfactory alliance performance to be attained.

The second pattern involves the effects of the resource characteristics on the partner interdependency. The resources of the alliance aggregated Renault's core competencies in design and supply chain management expertise, and Nissan's high productivity routines as well as its high engineering capabilities. Following the resource-based classification of resource, characteristics, the resources endowed in the alliance by Renault and Nissan present

ideal characteristics for a superior aggregation of collective strengths. According to the resource profiles of both partner, this alliance does not appear to have potential conflicts. We assume from the existing reports about the ongoing operations of the alliance that there is no immediate risks of conflict neither at the operational nor at the decisional level of the organization. The third and fourth pattern analysis includes the interpartner resource alignment and examines a dual effect on the collective strengths and the interdependencies of the studied alliance. The complementary characteristics of the resources endowed in this alliance reflect a high level of dependence. The growing synergies between the two partners attest the broad scope of the cooperation involving all the core businesses of the two companies. We suggest that the high level of interdependence contributes positively to the alliance performance, the sum of the resources endowed in the alliance contributes to important collective strengths. In this case, because most aspects of the partner analysis framework suggest favorable conditions in the alliance, the superior performance of the alliance between Renault and Nissan is to be expected.

Although the existence of the cooperation is not long enough to generate significant results, one can examine the interim performance of the alliance through its planning and implementation progress. In order to ensure a satisfactory level of alliance performance, managers need to be aware of the three characteristics of alliances conditions as collective strengths, interpartner conflicts, and interdependencies (Das & Teng, 2002) to assess the potential fit, and

Table 3. Summary of the supported propositions

P. 1	Interpartner market commonality will be positively related to collective strengths in alliances.	Supported
P. 2	Interpartner market commonality will be positively related interpartner conflicts in alliances.	Not Supported
P. 3	Resource mobility, imitability, and substitutability in alliances will be related negatively to the interdependencies of partners.	Supported
P. 4	Resource mobility, imitability, and substitutability in alliances will be related positively to interpartner conflicts.	Not supported
P. 5	The collective strengths of alliances will be related positively to supplementary and complementary alignments.	Supported
P. 6	Interpartner conflicts in alliances will not be related to supplementary and complementary alignments.	Not supported
P. 7	The interdependencies of alliance partners will be related positively to supplementary and complementary alignments.	Supported
P. 8	The collective strengths of an alliance will be positively related to alliance performance.	Supported
P. 9	Interpartner conflicts in an alliance will be negatively related to alliance performance.	Not supported
P. 10	Interdependencies between partners will be positively related to alliance performance.	Supported

a prospective view of an alliance. The absences of the elements necessary to explain the relation of the interpartner conflict with the other determinants and its impact on the alliance performance constitute an important issue of this case study. The absence of partner conflicts in this alliance could be interpreted as the main factor to explain the relative high performance of this alliance. A comparative case study between several other cases of alliance appears to be necessary in order to confirm these observations.

The primary implication of the framework for the research is that alliance performance cannot be studied without considering the influence of the alliance antecedents on the alliance conditions. The failure to adopt a formal process to assess alliance performance is a potential hurdle for many companies in managing these complex relationships (Cravens et al., 2000).

Future research needs to address the questions regarding the degree of importance of each of the determinants over the alliance performance. The lack of empirical studies in this domain suggests further researches including comparative studies between several cases of strategic alliances. It is difficult to rely on secondary sources of data to examine the prospective or the ongoing performance of a strategic alliance and, on that, a series of interviews would appear suitable for the accomplishment of this research. In order to enhance the coverage of this study into a more general perspective, future investigations may also include other types of industry in the empirical analysis.

*Doctoral Student, Hokkaido University*

## References

- Balakrishnan S., and Koza, M. P. (1993), "Information asymmetry, adverse selection and joint-ventures: Theory and evidence", *Journal of Economic Behavior & Organization*, 20(1), pp.99-117.
- Bartlett, C.A., and Ghoshal, S. (1999), *Transnational management: text, cases, and readings in Cross Border Management*, 3rd edition, McGraw-Hill/Irwin.
- Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, 17(1), pp.99-120.
- Barney, J., Mike W., and Ketchen D. J. (2001), "The resource-based view of the firm", *Journal of management*, 27(6), pp.625-641.
- Chen, M. (1996), "Competitor analysis and interfirm rivalry: Toward a theoretical integration", *Academy of management review*, 21(1), pp.100-134.
- Cravens, K., Piercy, N., and Cravens, D. (2000), "Assessing the performance of strategic alliances: matching metrics to strategies", *European Management Journal*, 18(5), pp.529-541.
- Das, T. K., and Teng, B. (1998a), "Between trust and control : developing confidence in partner cooperation in alliances", *Academy of management review*, 23(3), pp.491-512.
- Das, T. K., and Teng, B. (1998b) "Resource and risk management in the strategic alliance making process",

- Journal of Management*, 24(1), pp.21-42.
- Das, T. K., and Teng, B. (1999), "Managing risks in strategic alliances", *Academy of Management Executive*, 13(4), pp.50 - 62.
- Das, T. K., and Teng, B. (2000), "A resource-based theory of strategic alliances", *Journal of Management*, 26(1), pp.31-61.
- Das, T. K., and Teng, B. (2001), "A risk perception model of alliance structuring", *Journal of International Management*, 7(1), pp.1-29.
- Das, T. K. and Teng, B. (2003), "Partner analysis and alliance performance", *Scandinavian Journal of Management*, 19(3), pp.279-308.
- Emerson, V. (2000), "An interview with Ghosn, President of Nissan Motors, Ltd. and industry leader of the year", *Journal of World Business*, 36(1), pp.3-10.
- Geringer, J. M., and Hebert, L. (1991), "Measuring performance of international joint ventures", *Journal of International Business Studies*, 22(2), pp.249-263.
- Peng, M. W. (2001), "The resource-based view and international business", *Journal of Management*, 27(6), pp.803-829.
- Ring, P.S. (2000), "The three T's of alliance creation: Task, Team, and Time", *European Management Journal*, 18(2), No. 2, pp.152-163.
- Yin, R., K. (1994), *Case study research: design and methods*, Sage Publications Inc.
- Website of Nissan Motor Co. (<http://www.nissan.co.jp>).
- Website of Nissan Motor Co., Ltd., annual report 1999 (<http://www.nissan.co.jp>).
- Website of Nissan Motor Co., Ltd. fact files 2000 (<http://www.nissan.co.jp>).
- Website of Renault (<http://www.renault.fr>, <http://www.renault.com>).
- Website of Renault, annual report 2002 (<http://www.renault.com>).
- Website of Renault, rapport financier 1999 (<http://www.renault.fr>).