index (New York = 100) of a basket of goods in major cities, excluding housing, for Malaysia was only 83.75, compared to 109.84 for Finland.[6]

In response to Sakari's proposal, Nora negotiators adopted an unusual "take-it or leave-it" stance. They deemed the following proposal reasonable in view of the comparisons made with other JVs which Nora had entered into with other foreign parties:

Permanent experts' monthly salary ranges to be paid by the JV company were as follows:

1. Senior expert (seven to 10 years experience) RM24,300–RM27,900.
2. Expert (four to six years experience) RM22,500–RM25,200.
3. Junior expert (two to three years experience) RM20,700–RM23,400.
4. Any Malaysian income taxes payable would be added to the salaries.
5. A car for personal use.
6. Annual paid vacation of five weeks.
7. Return flight tickets to home country once a year for the whole family of married persons and twice a year for singles according to Sakari's general scheme.
8. Any expenses incurred during official travelling.

Temporary experts are persons invited by the JV company for various technical assistance tasks and would not be granted residence status. They would be paid the following fees:

1. Senior expert RM1,350 per working day.
2. Expert RM1,170 per working day.
3. The JV company would not reimburse the following:
   - Flight tickets between Finland (or any other country) and Malaysia.
   - Hotel or any other form of accommodation.
   - Local transportation.

In defense of their proposed rates, Sakari's negotiators argued that the rates presented by Nora were too low. Sakari suggested that Nora's negotiators take into consideration the fact that Sakari would have to subsidize the difference between the experts' present salaries and the amount paid by the JV company. A large difference would require that large amounts of subsidy payments be made to the affected employees.

5. Arbitration Another major issue discussed in the negotiation was related to arbitration. While both parties agreed to an arbitration process in the event of future disputes, they disagreed on the location for dispute resolution. Because Nora would be the majority stakeholder in the JV company, Nora insisted that any arbitration should take place in KL. Sakari, however, insisted on Helsinki, following the norm commonly practised by the company.

At the end of the five-day negotiation, many issues could not be resolved. While Nora could agree on certain matters after consulting Zainal, the Sakari team, representing a large private company, had to refer contentious items to the company board before it could make any decision that went beyond the limits authorized by the board.

The Decision

Zainal sat down at his desk, read through the minutes of the negotiation thoroughly, and was disappointed that an agreement had not yet been reached. He was concerned about the commitment Nora had made to TMB when Nora was awarded the switching contract. Nora would be expected to fulfill the contract soon but had yet to find a partner to provide the switching technology. It was foreseeable that companies such as Siemens, Samsung and Lucent, which had failed in the bid, could still be potential partners. However, Zainal had also not rejected the possibility of a reconciliation with Sakari. He could start by contacting Kuusisto in Helsinki. But should he?

[6]IMD & World Economic Forum, 2001, "The World Competitiveness Report."

Case 6-2 Renault/Nissan: The Making of a Global Alliance

Renault's Point of View

Geneva, March 3, 1999. International Motor Show As a traditional get-together for the leading automobile manufacturers, the Geneva International Motor Show provides an opportunity to unveil new prototypes and gauge market trends. This year, however, conversations in the main hall of the exhibition focused as much on the strategic movements of international companies as on products. For since the start of the year, major manœuvres had been under way to form an alliance with Nissan, Japan's second-biggest manufacturer, and they had to be finalised before March 30, which marks the end of the tax year in Japan.

Two candidates were in the ring. In one corner, the French group Renault, the world's ninth-largest manufacturer with 4.3% of the market, which had been negotiating with Nissan for more than 10 months; in the other, German-American giant DaimlerChrysler, the fifth-largest manufacturer with 8.4% of the world market, which began taking an interest in December 1998.

The cases were written by:

Renault's point of view: Olivier Masclef, Doctoral Students: EM Lyon.

Nissan's point of view: LBS MBA students Naoko Hida and Ashok Krishnan (FT-2000), under the joint supervision of Professor Asakawa of Keio Business School, Professor Gomez of Lyon Business School and Professor Korine of London Business School. The financial support of the Strategic Leadership Research Programme at LBS, the "*Rodolphe Mérieux*" Foundation for Research in Venturing at EM Lyon, and overseas case development fund at Keio Business School are gratefully acknowledged.

The cases are based on interviews conducted in Paris and Tokyo during the Spring of 2000 with the following executives:

Renault's point of view: MM. Dassas *VP, finance* De Andria *VP, corporate planning,* Douin *EVP, Alliance coordinator* Husson *VP, legal* Levy *EVP, finance* Schweitzer *Chairman and CEO.*

Nissan's point of view: MM. Anraku, *managing director in charge of finance and accounting* Shiga, Sugino, Suzuki, *Nissan Corporate Planning,* Hanawa *Chairman and CEO.*

For Renault, it was a difficult bout. For a start, DaimlerChrysler's financial clout made it the favourite. Second, Renault's previous attempt to form such an alliance, with Swedish manufacturer Volvo six years earlier, had ended in a resounding defeat after years of negotiations. Daimler and Chrysler, on the other hand, had just rocked the automobile sector by pulling off a spectacular merger less than a year earlier. And an alliance with an Asian partner seemed a vital part of DaimlerChrysler's international strategy to complete the consolidation of a company with a strong presence in all three of the world's major economic centres.

Tension mounted with the arrival in Geneva of Jürgen Schremp, Co-Chairman of DaimlerChrysler, and Louis Schweitzer, Chairman and C.E.O. of the Renault Group. Everyone was certain that the future of Nissan would be decided in the days to come. Most economic observers were expecting to see a new giant formed: DaimlerChrysler-Nissan.

But Renault's bosses were convinced that the struggle was not yet over. Looking beyond superficial reasoning, they felt that the potential synergies between Renault and Nissan were greater than those between DaimlerChrysler and Nissan because they did not simply concern commercial and technological issues. Despite the size difference between the two rivals, Renault did have some noteworthy advantages. Was it a question of personal conviction or objective reasons? While only a few days were left to convince the Nissan executives, the force of Renault's arguments and the ability to communicate them had already been established by the relationship built up by the company's teams of negotiators over several months.

Renault's Strategic Alternative In the spring of 1997, Georges Douin, Executive Vice President in charge of corporate strategy, had submitted an international development plan to Renault's

Management Committee, at the request of Louis Schweitzer. Major changes were taking place on the world automobile stage. A round of large-scale mergers had begun, with Volkswagen AG taking the initiative in Europe, but now the Asian slow-down called the Japanese car companies' potential into question, particularly regarding finance. New opportunities for international cooperation began to take shape. The shift towards the globalisation of the industry looked irreversible.

Against this background, the plan referred to the strengths and weaknesses of the Renault group, as well as its prospects for expansion. The company could choose between remaining a significant but restricted player in the European market, with a share of around 5% of the world market, or become a major player helping to define the rules of the game, which would mean winning 10% of market share worldwide and extending its product range. The second choice would mean a strategy of alliances with partners in the other main economic regions.

The collapse of a recently attempted merger with the Swedish group Volvo in 1993 had left its mark on the company. The operation, which had been the subject of extremely careful negotiations between February 1990 and December 1993, had been based on shared synergies between the two companies. It formed part of European industrial policy, and was encouraged by the authorities because Renault was owned by the French state. The industry minister had played a part in the negotiations and brought the country's political influence into the balance. Both partners were Europeans, with relatively close national cultures. After a long period of rapprochement, it was expected that Renault and Volvo would merge. The matter appeared to have been finalised when, in December 1993, Volvo shareholders voted against the agreement.

> "Our partner did not appreciate the strong involvement of the French state. For our part, there was also a lack of diplomacy and an over-eagerness to take control." (Mr Dassas, VP, Financial Operations)

So the merger never took place. Renault found itself thrown back five years in the race to gain international stature. As time went by, the need to come up with an alliance policy became more pressing. The plan put forward by Georges Douin stressed the need for the firm to position itself chiefly in the Asian market. One scenario introduced some potential partners, including Subaru, Mitsubishi, Suzuki and Nissan. Apart from Nissan, they were all smaller than Renault and therefore appeared to be within its reach, especially as the company had been privatised in 1996 and the French state now had only a 46% stake. Attitudes in France had changed significantly and the separation of political and economic influences was the order of the day. Renault could therefore count on its shareholders to give the management a totally free hand to implement its chosen strategy.

Louis Schweitzer weighed up the dangers and difficulties of the strategic choice that had to be made. Staying European meant condemning the company to obey the market rules imposed by the biggest firms, with perhaps a loss of independence in the long term due to inadequate resources. But failing once more to form an international alliance would be disastrous for Renault's credibility, not to mention the wasted effort and strategic and financial losses involved. Time was running out because opportunities for alliances were bound to become increasingly infrequent and hard to negotiate. The chairman made a decision: Renault's expansion would be international and would include an alliance in Asia. The plan was approved. But how should Renault set about finding the right partner?

Patient Prospecting Renault had been keeping a close watch on the Asian market since the mid-1980s. Although it had not yet worked out an alliance policy, the group was monitoring opportunities and familiarising itself both with the Asian motor industry and with Asian negotiating methods. One man embodies that policy: Georges Douin, first as technical director, then as the person in charge of orchestrating Renault Group projects from 1992 to 1997. He is currently EVP, Product & Strategic Planning and International Operations.

> "We must be constantly on the alert (. . .). It's true that the Renault-Nissan negotiations were brought to a conclusion in nine months—they took place between June 1998 and April 1999—but in fact they were based on a great deal of work behind the scenes by Renault, which was a pioneer in the field, as well as on a solid foundation of relations with the Japanese." (Georges Douin, EVP)

Between 1985 and 1995, therefore, contacts were occasional but continual. In 1987 Renault planned a research programme on diesel engines with Honda which never came to fruition. New relations were established in 1995 on other joint research projects. Around the same time talks were held with the Korean companies Daewoo and Samsung. Like the Japanese, the Korean companies were looking for ways to penetrate the European market, which was protected by quotas restricting imports of Asian vehicles, by forming alliances with local manufacturers. One particularly clear opportunity presented itself in 1993. One of the issues on the table during the ongoing talks between Volvo and Renault was what would happen to Volvo's partner Mitsubishi. The Renault teams, led by Georges Douin, went to Japan to evaluate potential synergies with the Japanese company, in what was a fresh opportunity to understand how the country's businesses worked and to make contacts with their executives.

> "In the proposed alliance with Volvo, part of the Volvo 'package,' was Mitsubishi (. . .) I went to see them several times. They quickly took the decision to buy some Renault engines—that made our relations easier too—we sold diesel engines to Mitsubishi, we sold them gearboxes (. . .). So I was 'very Mitsubishi'" (Georges Douin, EVP)

However, relations with Mitsubishi were interrupted by the failure of the Renault–Volvo merger. Further contacts were made in 1996, with the Korean company Daewoo. All the possible synergies were discussed as well, but the talks ended abruptly after four months.

So Asia and Japan were not totally unknown territory to Renault when its international development plan was introduced. It was already familiar with the industry, and personal ties had been forged with its leaders. But restricted projects and continual failures showed that Asia was still a difficult market for European manufacturers to enter. Had Renault's strategic monitoring allowed it to build up sufficient experience for it to grasp the opportunity of an alliance when the time was right?

An Unexpected Hunt After the international strategic plan was approved, a Renault delegation began to canvass Japanese companies in April 1998.

> "I had been on an assignment to meet Japanese banks, and even Japanese motor industry analysts, to see how things were going for the country's manufacturers. I had seen four or five big international banks and met with automobile specialists (. . .). It was an exploratory mission, to see how many problems the Japanese motor industry had . . . and which Japanese manufacturers were most likely to be interested in alliances." (Mr Dassas, VP, Financial Operations)

Some Japanese manufacturers could be eliminated as potential partners very quickly. General Motors had a large stake in Suzuki, and Subaru offered few opportunities for synergies because of its technological originality. After the assignment, two companies stood out as the most likely candidates for an alliance: Mitsubishi and Nissan. Georges Douin went to Japan to look further into the opportunities for working with the two manufacturers. Mitsubishi looked like the favourite because of its size and its previous cooperation with Renault during the Volvo episode. Nissan seemed too big to be a potential partner. Nonetheless, the Renault delegation members were struck by the attentiveness of the Japanese representatives and the interest they showed for cooperating with the French.

> "It was Renault that took the initiative of contacting them, which produced the very positive reaction that in a way surprised us at first (. . .). The surprise was to see that Nissan was perfectly willing to start talks with us." (Mr De Andria, VP, Strategic Planning)

So the names of the two potential partners were put to Mr Schweitzer. At around the same time, a major piece of news broke in the automobile industry: the merger between Daimler-Benz and Chrysler.

"Obviously, we were surprised by the Daimler-Chrysler merger in April–May 1998. Mr Schweitzer learned it from the press" (Georges Douin, EVP). "Daimler-Chrysler was a major shake-up. And it was against that background that the alliance was formed" (Mr De Andria, VP, Strategic Planning).

"Daimler-Chrysler was a shock in the automobile world, especially in France. We were aware that things were moving very quickly and that there were no taboos any more." (Mr Husson, VP, General Counsel)

The deal meant that globalisation suddenly speeded up, and therefore the need to make or grasp the best opportunities very quickly. In June 1998 DaimlerChrysler started negotiating with Nissan with a view to taking over the group's truck division, Nissan Diesel. Meanwhile, Louis Schweitzer wrote to the chairmen of Mitsubishi and Nissan outlining the terms of a possible partnership between Renault and each company.

"In June I wrote a letter saying *'I believe we should be thinking strategically. Can we do that together?'* Obviously, before writing that I had decided to take action should the opportunity present itself. I was ready to reach agreement on a system along the lines of the one we ended up with, in other words acquisition of a stake in the other company, and possibly a reciprocal one, which would not lead to a complete merger." (Louis Schweitzer, Chairman)

While Mitsubishi took a long time to get back to Renault, Nissan reacted quickly.

"Bankers came to see us saying: 'We know someone who can talk to someone who can talk to someone who can talk to Nissan, so we might be able to establish a relationship between you and Nissan in a few months. But of course if you write to them, that's the best way to make sure of failure because it's unthinkable, it simply isn't done.' Well, I wrote to Hanawa in June and he answered in July." (Louis Schweitzer, Chairman)

Straight away, a French delegation was sent to Japan to draw up a shopping list. At the end of July, Louis Schweitzer met Nissan's chairman, Yoshikazu Hanawa, in Tokyo. A relationship of trust was quickly established between the two men.

"Mr Schweitzer and Mr Hanawa learned to trust each other very quickly. I think that this trust between the chairmen has lasted all the way through, with no stumbling blocks, deviations or betrayals" (Georges Douin, EVP).

"There was a sort of mutual respect and complementarity between Hanawa and Schweitzer. Those are very important factors. The first handshake decides everything." (Mr Husson, VP, General Counsel).

"I think they [the Japanese] greatly appreciated Mr Schweitzer's style. An article published in the Japanese press commented: *'But it's incredible! We've found a boss in the automobile sector who isn't a brute!'*" (Mr Dassas, Finance Director)

In July and August the two companies pinpointed about 20 potential opportunities for joint synergies: geographical distribution of their markets, complementarity of their product ranges and the possibility of sharing common platforms. Matters moved quickly enough for the chairmen to sign a memorandum on September 10 concerning the financial evaluation and joint costing of those synergies with a view to a possible strategic alliance. At the same time, Louis Schweitzer decided to make no further approaches to the Mitsubishi group.

"I described that once in an interview by saying that we went hunting for rabbits and we found a deer." (Mr De Andria, VP, Strategic Planning)

The planned alliance concerned only Nissan Motors, Nissan's automobile division, and an exclusive negotiation clause until the end of December 1998 was included in the memorandum. Amid the greatest secrecy, the two companies started a campaign to pinpoint cost cooperation opportunities. At Renault, the campaign was given the code name *Operation Pacific*.

But could the French company ensure rapid success with its new partner after failing with a better known and culturally closer potential partner like Volvo?

Operation Pacific Twenty Franco-Japanese teams were given the task of evaluating the main issues that would shape an alliance between Renault and Nissan. The process, which lasted until November 1998, took the form of a series of joint studies. The team leaders were chosen from the company that had the most experience of the subject being studied. In all, about 100 people from each company were involved. The joint studies played a fundamental role in creating a climate of confidence at the grass roots between the two manufacturers. Two main types of issue emerged rapidly.

The first was the question of synergies. In this respect, Renault gradually discovered that the situation was exceptionally promising, surpassing its expectations. First of all the companies' product ranges were extremely complementary. Renault was ahead of the field in mid-range cars and light commercial vehicles, while Nissan Motors specialised in mid-range vehicles and the four-wheel-drive vehicles and pickups typical of the American light commercial vehicles market, in which Renault was not represented. The outlook was equally good on a geographical level. Renault was firmly established in Western Europe and South America, while Nissan had the strongest foothold in North and Central America, Asia, Japan and Africa. In terms of expertise, Renault had achieved excellent cost control, formalised a global strategy for platforms and purchasing, and was known for designing vehicles of innovative style and appearance. Nissan stood out more through its quality control, R&D programmes and technology.

Between September and December the two companies evaluated synergies, assessed their financial value and the technical feasibility of working together more closely. The French and Japanese teams exchanged information about their know-how, expertise and projects. Their work showed that the potential synergies should yield, on paper, savings of 51.5 million euros in 2000, 1 billion euros in 2001 and 1.5 billion euros in 2002 through the rationalisation of platforms and a joint purchasing and distribution policy.

"It was extraordinary in terms of synergies. We really believed in it, or at least those taking part in the negotiations did. . . . Quite frankly, we were so complementary in terms of geography, products, personality (. . .). So we had great confidence. The maps of where we were established were completely different (. . .). Their products are of extraordinarily high quality. Two of the best factories in the world belong to Nissan, one in England and one in the United States (. . .). Our engineers were full of admiration for Nissan's manufacturing processes." (Mr Dassas, VP, Financial Operations)

Nonetheless, although the industrial outlook was promising, the same could not be said of organisational matters. In 1998 Nissan Motors was a company with major financial problems. A succession of years showing losses had left the company with total debts of 23 billion euros and a list of annual repayments that was becoming increasingly difficult to respect. The reason was a complex combination of internal management problems: Nissan headed a Keiretsu which had been built up gradually over the years. The company had never established a rational purchasing policy or system of relations with suppliers. Manufacturing costs were high and its product range was too diverse. Quality came at a high price. Moreover, Nissan's global market share had slumped from 6.4% in 1990 to 4.9% in 1998.

Engineering culture took precedence over managerial culture, while the quest for performance and quality won out over costing. Promotion was based entirely on length of service. Apparently, Mr Hanawa was acutely aware that the company was heading towards bankruptcy. He set a symbolic date, March 30, 1999, as a deadline. It was the end of the Japanese financial year, when short-term credit lines were to be renegotiated.

"That seemed to me both highly artificial and extremely useful. Artificial because it was tied in with the end of the fiscal year, and the end of the fiscal year only exists on the day accounts are published. So it seemed to me a completely artificial deadline (. . .). But it was useful because, in any negotiations, failure to set a deadline has many disadvantages because the talks may drag on and on (. . .). Nissan's rating was a subject that Mr Hanawa brought up frequently." (Louis Schweitzer, Chairman)

"They were afraid that their Japanese rating would fall too. Now that would have been a disaster because they could not have coped with the resulting increase in their expenses." (Mr Dassas, VP, Financial Operations)

Such a decline would have meant official recognition of the company's ailing finances. So Nissan found itself in the paradoxical situation of being justly proud of its products and technological capacity while sustaining financial losses that could lead to its collapse or to it falling into the hands of a competitor. The need to "save face," a basic requirement in the balance of Japanese company relations, was one of the keys to understanding the negotiations.

Nissan had to join forces with a partner which would bail it out financially in the short term, on condition that this went along with sufficient restructuring to reorganise the production system, purchasing policy and its Keiretsu generally so that the company would remain competitive on a world scale.

> "The Japanese executives had understood that, looking more closely, Renault's expertise included a number of complementary factors that would be easier to implement than those with Daimler. In other words, the restructuring processes that we introduced, Renault's expertise in cost reduction, purchasing, production sites, engineering, services . . . And probably Renault's expertise in marketing and product innovation too. . . . Those factors counterbalanced the fact that the DaimlerChrysler group may have looked stronger financially on the surface but . . . Renault could really help Nissan to find the way out of its difficulties. . . . When the Japanese said that it was better to learn to catch fish than to be given them, I think that was what they meant. Without a doubt, Daimler was in a position to be able to give them fish, but there was no guarantee that they would teach them to catch their own. Renault was more likely to teach them the art of fishing." (Mr Lévy, EVP)

Japanese-style corporate governance tends to water down the responsibility of individual managers into a system of collective responsibility. It is difficult in such circumstances to define strategies through which the managers would have to call themselves into question.

> "There were no decision-makers outside Nissan. Identifying the person who made a decision was extremely difficult. Because we've all read the literature that says a Japanese company is managed collectively, that the Board of Directors has 37 members (. . .). But, when you come down to it, why would an independent company bigger than Renault enter an agreement under which it became equal to Renault, at most? In a way, it meant acknowledging a need that is not natural for any kind of management." (Louis Schweitzer, Chairman)

Did Renault have sufficient credibility to face not just the industrial challenge but also the financial and managerial challenge at Nissan?

The Big Picture: Pass or Fail While the French negotiators were surprised by the quality of the relationship that was being built with their opposite numbers at Nissan and by the speed with which talks on manufacturing issues were progressing, the French were also perfectly aware of their handicaps. They pinpointed three main ones: Renault's lack of a strong image in Japan, its low capital compared to Nissan and its history as a public-sector company with large financial deficits.

As a mainly European company, Renault was little known on the Japanese market. This meant that the acquisition of Japan's second-biggest company by an unknown French firm would not give Nissan's partners the impression of a prestigious alliance, which might have made up for the humiliation of being bought by a foreigner. Moreover, Renault's financial position would not enable it to wipe out the Japanese manufacturer's debts. Its participation could only be partial and would have to be accompanied by firm guarantees about Nissan's ability to rebalance its books. The danger was that Nissan's deficit might also drag Renault into the red after the spectacular economic recovery of the previous ten years. Breaking with its past as a public company, Renault had modernised production, rationalised its purchasing network and become one of the world's most efficient manufacturers. Its ultra-modern research centre just outside Paris was a potent symbol of its capacity for innovation. Going further, one man was a symbol of that economic rationalisation policy: Carlos Ghosn, who was EVP at the time of the negotiations. His reputation as a "cost killer" highlighted both the radical financial modernisation of Renault and the attention the company paid to staying on a sound footing. In those circumstances, an alliance with a partner whose Keiretsu-style organisation and cost management was the opposite of Renault's did not look promising.

Very early on, in October 1998, Mr Schweitzer had a clear view of the feasibility of the alliance between Renault and Nissan. He felt it had to be based on two principles over which there could be no compromise: equal status and participation in management.

> "We had to move closer strategically, but it could not be a simple acquisition or a merger, because a Franco-Japanese merger is no easy matter." (. . .)
>
> "I suggested to him [Mr Hanawa] that three people from Renault should become members of the Nissan Board of Directors: the COO, the VP Product Planning and the Deputy Chief Financial Officer. (. . .) I told Ghosn: *"I won't do this deal if you don't go to Japan!"* Before proposing the COO position, I had to have someone (. . .). In my opinion, I didn't have anyone else who could do the job." (Louis Schweitzer, Chairman)

Mr Schweitzer waited for the right moment to talk about his idea to Mr Hanawa. At the end of October, the two men discussed a draft for what might become Renault's letter of intent at the end of the negotiating period.

> "Well, they don't really understand what a COO is because there's no such thing in Japan. There's no word in Japanese to describe a COO. But there were no talks about that. I only asked for those three, I didn't ask for any other jobs except those three and he [Mr Hanawa] didn't try to argue about any of them." (Louis Schweitzer, Chairman)

However, the entire Nissan management still had to be convinced that only an alliance offering a global solution to its problems was feasible and that this could only be concluded on the basis of the principles put forward by Renault. So far the joint studies had done a considerable amount of work in the field to establish trust between the teams. But the strategic negotiations had only involved a few people at Nissan: Mr Hanawa and the three corporate planning executives, Mr Shiga, Mr Suzuki and Mr Sugino.

> "Mr Hanawa talked to me, but I don't know how he managed to achieve a consensus at Nissan (. . .). Throughout my negotiations with Nissan, I never knew who was 'for' and who was 'against,' and I never knew who made the decisions." (Louis Schweitzer, Chairman)

It was agreed that the French would submit the outlines of a proposed capital alliance to the Nissan Management Committee. This was Operation Big Picture. In Tokyo, on November 11, 1998, Louis Schweitzer, Georges Douin and Carlos Ghosn spent three hours explaining their strategic outlook, Nissan's need for an alliance and the conditions for it to succeed, and describing at length the stages of Renault's recovery in earlier years. They felt that it was a decisive moment because they were revealing the situation quite openly, and it was not favourable to the Japanese.

> "It shook them up quite a bit, obviously, because we were showing them that they had rather too many factories, rather too many employees and rather too many business activities in rather too many difficult areas (. . .). They were shocked that anyone outside the company should be speaking to them so frankly. At the time we were afraid that our approach might cause a breakdown in the talks because they seemed so affected" (Mr De Andria, VP, Strategic Planning).
>
> "By that point, I was perspiring heavily! I really felt that we had plunged headlong into an attitude of arrogance" (Louis Schweitzer, Chairman).
>
> "We knew we were playing with fire. We had the growing impression of being on slippery ground, not to say enemy territory (. . .). We weren't at all sure we could pull it off—that was certain." (Mr Douin, Vice-Chairman)

As agreed earlier, no discussion followed the case put forward by the French, and the two sides took their leave in silence. The Japanese had until the end of December before the exclusive negotiating period ran out to reach a conclusion about the strategic viewpoint defended by Renault.

Tokyo, December 23, 1998 Renault's official letter of intent defining the general conditions of the

alliance was due to be discussed when a sudden new development occurred. Behind the scenes, Mr Hanawa warned his French counterpart that Renault's proposal had to cover all Nissan's business activities—not just Nissan Motors but also Nissan Diesel. Until then only the automobile division had been mentioned and Renault knew nothing about the trucks division. And for the final round of negotiations aimed at reaching agreement on an alliance in March 1999, Renault's exclusivity clause was not renewed.

A new player had come on the scene: DaimlerChrysler. Had the Japanese understood only too well the lesson they had been given by the French?

Competition for an Alliance DaimlerChrysler had been negotiating the acquisition of Nissan Diesel since June. The loss-making Japanese trucks subsidiary was in a critical condition which is why, after months of evaluation, the German-American group suggested taking over the entire Nissan group, acquiring a majority stake in the company. The financial soundness and prestige of DaimlerChrysler could solve Nissan's problems and ensure that its absorption by an international company controlled by the German Daimler-Benz was accepted by the Japanese.

The French did not change their stand in any respect. They maintained their proposal for an equal alliance that would guarantee Nissan's independence and give Renault a 36% stake in the group. They stressed their proposed involvement in restructuring Nissan's management, and their experience in that area, and agreed without hesitation that Nissan Diesel would be included in the deal.

"Keeping 40% of Nissan Diesel raised a number of problems for us so what we did was this: we told them [Nissan Motors]: *'We're going to buy from you part of your share of Nissan Diesel so that we own 22.5% each.'* This had the advantage of being a simple financial holding for Renault (. . .), and secondly it also prevented us from having to consolidate a larger stake in our accounts. It was a shrewd piece of accounting." (Mr Lévy, EVP)

The due diligence period began in January 1999. It was difficult because the French did not know what was being negotiated with DaimlerChrysler, so their hopes fluctuated. The Renault teams continued to apply the negotiating rules laid down by top management since the start of negotiations: treating the people at Nissan as equals, avoiding all forms of arrogance, remaining attentive while maintaining the two principles put forward by Mr Schweitzer as conditions for a win-win situation for both sides of the alliance.

"And that was where our retrospective assessment of all our previous experiences was very useful to us (. . .). Above all we tried—even if we didn't manage it 100%—to avoid putting ourselves forward as the company making an acquisition, the side that comes out on top. We always wanted to have due regard for form, to have due consideration for the Japanese (. . .). We kept in view the lessons that could be learned from our previous experiences." (Mr De Andria, VP, Strategic Planning).

Urged on by the rivalry with DaimlerChrysler, Renault found itself in the role of outsider which encouraged the French to underline their strengths and show their willingness to adapt further to Japanese sensitivities. They felt that they were putting forward the more appropriate answer to Nissan's situation compared to the German-American steamroller twice their size. Even so, while the technical teams continued to make progress in evaluating future cooperation, the strategic teams had the impression that they were working mainly for form's sake. Nissan had to choose between a merger and a partnership, and its choice would depend on what clauses to preserve its identity were being negotiated at DaimlerChrysler headquarters in Stuttgart.

No details leaked out of the discussions between the Japanese and the Germans, but international motor industry experts gave DaimlerChrysler a decisive advantage. Only the Germans had the financial capacity to absorb Nissan's deficits and take charge of an industrial restructuring that seemed bound to be long, difficult and expensive against the notoriously opaque background of Japanese finances and labour relations.

In Geneva, everyone was waiting for the statement that would start a new chapter in the story of the globalisation of the motor industry. It was early March, and the French had absolutely no idea what the outcome would be.

"The situation was very tense. . . . We felt that they were tempted by the German proposal (. . .). The impression we had had during the negotiations, when apparently they were no longer interested by what we were saying, when we thought their minds were elsewhere . . . now we said: 'That was it. It was the Germans.' It was mainly with regard to the Germans that our hopes waxed and waned" (Mr Dassas, VP, Financial Operations).

"There was a week when we just lost all faith (. . .). It was at the start of March, I believe (. . .). We gave up hope. It was all over. The negotiations were awful. Nothing happened, nothing at all . . . it was distressing." (Mr Husson, VP, General Counsel)

The Outcome Geneva, March 10, 1999. Jürgen Shremp, CEO of DaimlerChrysler called a press conference.

"This is the result of a three-month period where both parties assess the strengths and financial options of a global cooperation. We had to accept that the opportunities a close relationship with Nissan offer are not achievable as quickly and smoothly as initially expected." (Jürgen Schremp, Co-Chairman of DaimlerChrysler)

The news came as a surprise to most observers. DaimlerChrysler had proved unable to grasp the opportunity to form an alliance with Nissan and had left the door open for Renault. Now there was nothing to stand in the way of Renault signing the alliance on the terms put forward by Louis Schweitzer, who insisted that none of the company's original proposals be changed.

"The decision we made during the final negotiations was not to change our position. It was an important choice on our part to say: *'It's not because Daimler is no longer around that we are changing our proposal.'* In other words, it wasn't because there was no-one else to up the stakes that we were planning to change the conditions of the deal, because we knew that they would have to make a deal with someone and there was nobody against me. I decided not to do that because I felt it would destroy the relationship of trust which was indispensable for us to work together (. . .). It seemed more important to show that we were loyal, stable and reliable partners." (Louis Schweitzer, Chairman)

News of the breakdown of the Daimler talks surprised the team of French negotiators as they got off the plane in Tokyo, where they were due to continue talks on the legal aspects of the alliance. In the big meeting hall, the atmosphere was solemn.

"We went to Ginza and met our Japanese friends. We said to them: 'We have learned of the event that has changed the circumstances of our negotiations. We note the withdrawal of Daimler-Chrysler. From now on, we want you to know that it isn't Renault's style and culture to take advantage of its partner's problems.' Mr Shiga got up, he did this [mime of the Japanese salute] and sat down again." (Mr Husson, VP, General Counsel)

The alliance between Renault and Nissan was concluded on March 27, 1999. Both companies retained their independence. Three French representatives left Renault to become members of the Nissan Board: Carlos Ghosn, COO, Patrick Pélata, who is responsible for strategy, and Thierry Moulonguet, who is in charge of finance. A Global Alliance Committee was set up to meet monthly to manage the alliance. Eleven global teams were formed to start work in the field on the various aspects. The world's fourth-biggest automobile manufacturer was born, with 9.4% of the international market and strong prospects for growth. In the autumn of 1999, Carlos Ghosn submitted the Nissan Revival Plan.

Nissan's Point of View

Ginza, June 1998 On a hot June morning in 1998, Nissan President Yoshikazu Hanawa arrived for work at the company headquarters in the Ginza district of downtown Tokyo. He was greeted by the uniformed employees at the reception desk and walked past a 1957 Datsun convertible to the elevator that exclusively served the executive offices on the 15th floor.

Entering his office, he was informed by an executive vice president of Renault's interest in a potential partnership with Nissan.

Problems Facing Nissan (1996–1998) Hanawa had come to power in the middle of the recession in Japan. As of 1996, Nissan had accumulated a debt to sales ratio of 62%. Nissan had sustained continued losses since 1992. This also was having profound effects on the approximately 1400 holding suppliers, dealerships and other subsidiaries of Nissan, throwing them into financial disarray.

Over the first two years of Hanawa's tenure, the situation continued to deteriorate. For the fiscal year ending in March 1998, Nissan reported losses of 14 billion yen, with the debt to sales ratio rising to 66%.

Nissan's problems need to be understood in the context of the changes taking place in the automotive industry. One major factor was the world-wide over-capacity in the car market. It was estimated that automakers had a capacity to produce 70 million vehicles, while demand amounted to only 52 million units.[1] The second factor affecting the automotive industry was the stricter environmental and safety regulations that increased R&D costs per car.

Global over-capacity within the automotive industry and rising costs per vehicle made it increasingly important for industry players to seek size through strategic partnerships or mergers. Ford's acquisition of Volvo in 1998 and the merger of Daimler and Chrysler in the same year sent signals to the industry that served to accelerate the trend.

History Nissan Motor Co. Ltd. was established in 1933 by Yoshisuke Aikawa to manufacture and sell small Datsun passenger cars and auto parts.

(i) Prewar The first small-size Datsun passenger car rolled off the assembly line at the Yokohama Plant in April 1935, and vehicle exports to Australia were also launched that same year. The slogan "The Rising Sun as the flag and Datsun as the car of choice"[2] was originated at that time, symbolising Japan's rapid industrialisation.

In 1936, as the signs of the war grew stronger, production emphasis shifted from small-size Datsun passenger cars to military trucks.

[1]Nissan estimates.
[2]Nissan corporate web-site.

(ii) Postwar Nissan suffered from a major loss of sales force in the early postwar period. This was due to the fact that many leading auto dealerships, previously affiliated with the old Nissan network, switched to Toyota after the dissolution of Japan Motor Vehicle Distribution Co. Ltd., which had monopolised vehicle distribution during the war.

Nissan resumed production of Nissan trucks in 1945 and Datsun passenger cars in 1947. Post-war progress was swift. By 1958, the Datsun 210 could be entered in the grueling Australian Rally, and, by 1960, the company received the Deming Prize for engineering excellence.

(iii) 1960s The 1959 Bluebird and the 1960 Cedric captivated the imagination of Japanese car buyers and quickened the pace of motorization in Japan. The Sunny was introduced in 1966 during the "my car" era in Japan. Nissan's model lines during the 1960s were indicative of the company's competition with Toyota: the Bluebird lined up against Toyota's Corona, and the Cedric against Toyota's Crown.[3]

This was a period of growth for Nissan. In 1961, the company established Nissan Mexicana, S.A. de C.V., its first overseas manufacturing operation. Nissan also set up two state-of-the-art manufacturing facilities in Japan, the Oppama Plant in 1962 and the Zama Plant in 1965. In the mid-60s, the Japanese government suggested a merger of Nissan and Prince Motor Co. Ltd. to create a larger company that would be better equipped to handle any hostile takeover attempts by foreign companies, leading to the 1966 merger between Nissan Motor and Prince Motor. Nissan maintains a strong link with the Japanese government and to this day provides a large percentage of government limousines.

(iv) 1970s The two energy crises of the 1970s increased the demand for small Japanese cars worldwide and led to a surge in exports. In 1973, the Sunny ranked first in the fuel and economy tests conducted by the U.S. Environmental Protection Agency and thus gained instant popularity in the U.S. market under the advertising slogan of "Datsun saves." The sporty Z car also built a large following in the U.S. during the 1970s.

[3]Nissan Fact File 1999

In 1975, Nissan opened the Kyushu Plant, a leading edge facility that today can still boast of the most advanced automation technology in the world.

(v) 1980s During the 1980s, Nissan was the second Japanese car company, following Honda, to establish a manufacturing base in the U.S. (1980; Nissan Motor Manufacturing Corp., U.S.A) and Datsun Truck and Sentra production began in the U.S. Nissan then moved to establish a manufacturing base in Europe, the first among the Japanese car companies to do so (1984; Nissan Motor Manufacturing Corp. UK).

Rapid overseas expansion was initiated by the 11th Nissan President, Takashi Ishihara (1977–1985). During the 1980s, Nissan's domestic sales began to fall. In order to stem declining sales, Ishihara sought out opportunities in overseas markets and started establishing new plant facilities in the U.S. and the UK. But declining sales in the domestic market remained unsolved, leading Nissan into a vicious cycle of over-capacity, falling sales, and domestic price cuts. This caused conflicts between the Japanese unions and the management. Nissan employees protested against the idea of increasing production capacity overseas when their domestic plants itself were under utilised. However, Ishihara did not stop to hear these voices and continued with his plan for global expansion. This was an example of Ishihara's so called "impulsive management strategy" and unilateral approach.

The continuous conflict with the union badly affected the image of Nissan. The 12th Nissan President, Yutaka Kume (1985–1992) realised the need to stimulate the Nissan brand image and focused on new model introductions. The up-market Cima for the executive class and the sporty Silvia for the younger generation were introduced in the late 1980s as part of a brand enhancement scheme. With the help of a booming economy, the cars became extremely popular.

In addition, Kume realised that the internal health of the company was also a reflection of the Nissan brand. By the time of his designation as President, employees had become tired of the continuous conflict between the management and the unions during the previous Ishihara era. Kume emphasized improving the environment of the workers, up to the point of creating an organisation in which people would not feel hesitant to call him by his name, Kume-san, rather than by his title.

(vi) 1990s Kume, who focused on creating a better image for Nissan, had once said, "I want to make the cars more attractive for the younger generation. Therefore, I believe when a concept for a new model is being developed, the voices have to come from the bottom up." However, the bottom-up approach seemed to lead to a loss of direction in the overall policy for model developments. Moreover, since 50% of Nissan dealerships were owned by Nissan (Toyota owned only 10% of its dealerships), dealers had no autonomy in selecting car models, and market feedback was poor. This prompted Kume to worry that "Nissan cars are becoming further and further away from the true voice of our customers."[4]

With the burst of Japan's bubble economy, Nissan's profits plummeted from 101.3 billion in March 1992 to a loss of 166 billion yen by March 1995. The 13th Nissan President, Yoshifumi Tsuji (1992–1996), who had spent most of his career on the production side, focused on improving domestic sales. He made frequent visits to all of the domestic dealerships, meeting with dealer representatives, sales board members and sales regional managers. The meetings with the dealer representatives had little effect. Domestic sales appeared to be declining not because Nissan lacked in sales capability, but because there was a fundamental flaw in the concept and the style of the product per se. Without combating the fundamental problem of product improvement, Tsuji presented a drastic down-sizing plan in February 1993 with a target to reduce costs by 200 billion yen by year 1995 in order to obtain profitability even at a low 2 million unit production level.

The Hanawa Era In 1996, Yoshikazu Hanawa became the 14th President of Nissan. After obtaining

[4]"Toyota's Ambition and Nissan's Commitment" by Yoshio Tsukuda.

an economics degree at the University of Tokyo in 1957, he joined Nissan to start his first assignment in the Human Resource Department. He later became involved in Nissan's overseas operations and was designated as head of the committee responsible to establish Nissan's Tennessee plant in the US. By 1985, he was promoted as the first and youngest director in the Corporate Planning Department. He was also involved in numerous restructuring plans such as the closure of the Zama plant in 1995. Many of the Nissan top managers were Tokyo University graduates, and Hanawa had the ideal profile to become the President of Nissan.

(i) Hanawa's Mission In one of his first interviews upon becoming President, Hanawa said,

> Nissan must cooperate and integrate all efforts towards one vector in order to show better results. We must change the "Nissan Bureaucracy" which has long been our image. . . .[5]

When Hanawa took over as President, Nissan's domestic market share had dropped to 15.9%,[6] only half of that of Toyota. Hanawa's initial plans focused on new car development, with the aim of recovering domestic market share and an objective of 25%[7] by the year 2000. When announcing this target, he said, "It is not a healthy situation both for the companies as well as for the customers for one car company to dominate sales. I would like to establish an era for two mutual companies so that both Toyota and Nissan can stimulate one another and grow together."[8]

(ii) Internal Organisation From the early stages of Hanawa's time as President, his main concern was to change the culture of the organisation. Hanawa was deeply concerned that Nissan had become complacent and lacked a sense of "urgency," despite the economic distress experienced in Japan after the burst of the bubble economy and the poor market and financial performance of the company.

[5] "Will Nissan Revive?" by Nikkei Shinbunsha.
[6] The figure includes mini-cars.
[7] The figure excludes mini-cars.
[8] "Will Nissan Revive?" by Nikkei Shinbunsha.

When Hanawa joined Nissan in 1957, Nissan was still a small operating company, fresh with new ideas and innovation. Recalling his early days at Nissan, Hanawa said, "As Nissan grew larger in scale, a new culture took over. Most employees became more concerned with their own line of business or function and did not know where value was being added for Nissan as a whole. The company lacked both in cross-functional and cross-regional communication. The passive internal culture was reflected in our cars, making them unattractive and far away from customers' taste. Nissan had always thought that as long as there is quality, our cars will sell at a high price. But that logic is no longer true in today's market. It is more about designing, and it is more about customer orientation. But there is a bureaucratic culture rooted into our organisation, which makes it very difficult to implement change . . . but we needed a change, and one solution was to bring in a new wind."

(iii) Global Business Reform Plan Shortly after the end of the 1998 Japanese fiscal year, Nissan's Corporate Planning Department presented a "Global Business Reform Plan" to Hanawa and the board. 1998 had resulted in net losses of 14 billion yen on a consolidated basis, tracable to a fall in domestic vehicle demand, the write-down in the carrying value of vehicles in the U.S. lease portfolio, and evaluation losses on marketable securities.[9]

It was evident to the employees that Nissan's future was not very bright. Nissan had been showing consecutive losses since 1992. Everyone knew that something had to be done about it, but nobody seemed to know what or who should take the initiative to unwind the bad cycle the company had become trapped in.

The "Global Business Reform Plan" presentation proposed to achieve a consolidated operating profit to sales ratio of 5% in the fiscal year ending March 2001 and 6% in the fiscal year ending March 2003. There were two options presented in this plan in order to realise these targets. One approach was

[9] Nissan Press Release (27 May 1998).

to implement an independent survival plan by drastic down-sizing: through reduced development costs, integration of platforms, streamlining sales channels, divesting non-core business assets and other cost cutting strategies. The second approach was to form a global alliance and to survive through increased scale.

It was in this context that a global strategic alliance was proposed.

Another Joint Cooperation with Renault? Hanawa contacted Yutaka Suzuki, Director & General Manager at Corporate Planning Department, to respond to the proposal from Renault. Suzuki and Toshiyuki Shiga, Senior Manager at the Corporate Planning Department, were specifically told by Hanawa to proceed with an immediate investigation on Renault. Shiga was responsible for dealing with all external proposals such as technology alliances and joint cooperation. In fact, when Shiga was contacted by Hanawa regarding the proposal from Renault, he first thought of previous talks for a possible joint development with Renault. Shiga had met André Douin, head of Renault's Planning Department, in Paris in September 1997 concerning a possibility for Renault to produce pickup trucks under a Nissan license in the Mercosur area. Therefore, not only did Shiga already know something of Renault, but also thought that this was merely an extension of the possible joint cooperation Renault was seeking with Nissan since the previous year.

However, Renault was not merely asking for another joint cooperation this time. Renault wanted to know if Nissan might be interested in pursuing a global alliance at the corporate level. Nevertheless, when Shiga received orders to study this proposal from Hanawa, he was not surprised. Nissan had received cooperation proposals in the past from various car companies and it was his task to investigate the potential of each proposal.

The Alliance Process

(i) Phase I: Preliminary Study (July–September 1998) Nissan's Corporate Planning Department was the right place to start off the investigation for a global alliance possibility. It was the only department that included representatives from each of the main functional departments within Nissan: production, purchasing, development, overseas sales, domestic sales, financial affairs, legal and HR. The Corporate Planning Department rolled out the investigation plan in the following manner.

The Research Group within the Corporate Planning Department conducted a thorough internal study of Renault. It was the first time they had conducted such an in-depth analysis on a European car company.

Taiji Sugino, manager at the Corporate Planning Department with a background in international law and corporate governance, had been involved in the research and commented:

> My task was to get to know more about Renault as a company. Renault was not very well known in Japan and we knew very little to start with. Before considering an alliance, we needed to gain an understanding of how it might be possible to integrate with Renault from a business cooperation perspective. We also needed to see the economic benefits of forming an alliance. I conducted a competitor intelligence gathering exercise, a SWOT analysis and further strategic studies to understand the potential synergy effects on a daily basis.

On the strength of this research, Nissan saw considerable potential in the alliance. There were three main reasons for optimism: first, the two companies showed strength in different regions of the world (Nissan in Asia and the US, Renault in Europe), and collaboration between the two companies would give increased geographical coverage. Second, Renault was better at making smaller cars, while Nissan was better at making larger cars. However, despite the fact that the two companies' cars were not in direct competition with one another, there was strong potential for platform integration, indicating a possibility of reduced costs and increased efficiency for both companies. Third, the size of the two companies in terms of market capitalization and number of units produced was very similar as of 1998, lessening threats of future dominance or possible take over from either side.

Sugino said,

> "We marvelled at the success of Renault, because light and small vehicles generate much smaller margins compared to Nissan's large size vehicles. Nevertheless, Renault had managed to turn around its performance in a very short span of time [on the basis of small cars]." (Sugino, manager at the Corporate Planning)

At the time the alliance formation process was begun (1998), Renault had an earnings before tax margin (EBT) of 4.6%. Since the loss-making year of 1996 (EBT: 3.6%), Renault had managed to become profitable and grow total sales from 184,078 million FF to 243,934 million FF (1998).

However, Renault faced limitations for future growth. With over 80% of their sales coming from Europe, Renault wanted to broaden coverage, gain scale, and solidify its market position.

When the potential for a global alliance became clearer, the investigation was forwarded to the Strategic Group within the Corporate Planning Department at Nissan. There, the people got together to develop a shopping list of potential joint projects which could possibly take place between Nissan and Renault.

The Planning Department at Renault had developed a similar shopping list. In July 1998, Suzuki, Shiga and Keiichi Maekawa, an engineering manager from the Corporate Planning Department, left for Paris to exchange the two shopping lists. Initially, the combined shopping lists had approximately 100 possible joint projects, of which ultimately 21 projects were prioritised after numerous negotiations between the two Planning Departments during the months of July and August. With this list in hand, the three Nissan representatives went back to Japan and reported to Hanawa on the progress of their investigation.

(ii) Phase II: Joint Study Teams (September–December 1998) In September 1998, Suzuki was asked by Hanawa to proceed with the 21 joint projects by forming "Joint Study Teams" between Nissan and Renault.

Now, for the first time, the operational level became involved in joint studies. However, the Corporate Planning Department was given strict orders of confidentiality by Hanawa. They were told not to reveal the purpose of the studies to the engineers involved and that the teams should not know of each other or of the bigger picture that their work fit into. They were to think that this was just like other joint study projects previously undertaken. There had been joint study projects in the past, for example the Volkswagen Santana project. Under this proposal, Nissan would have assembled VW cars at the Zama Plant. The cooperation with VW fell through because engineers at VW and Nissan did not work well together. It was therefore very important to assess the soft elements, such as operational fit at the engineering level, in the joint study teams.

The Corporate Planning Department was also not informed of the purpose nor the direction with which Hanawa was planning to proceed with the joint studies. They only received repeated emphasis by Hanawa that from this stage onwards, the engineers should take complete control in order to allow room for in-depth studies.

Faced with many uncertainties and a very short deadline for results (December 1998), the Corporate Planning Department of Nissan in cooperation with Renault quickly formed the following teams:

Group A:	Regional Operation Group
	A-1) European Team
	A-2) Asian Team
	A-3) Mexico Team
	A-4) South African Team
	A-5) Mercosur Team
Group B:	Product Group
Group C:	Platform Integration Group
Group D:	Powertrain Group
Total:	21 Joint Study Teams

The 21 joint study teams worked under team leaders, and 10 operational people from each company participated in the typical team.

Within teams, questions did arise about the level of cooperation. For example, the Nissan A-3 team members asked why Nissan should allow Renault into their Mexico Plant. Suzuki responded to them:

> "If we allow Renault into our Mexico Plant, then perhaps we can gain access to Renault's Brazil/Argentina Plant. We need to take a give and take perspective."

Suzuki, Shiga and Sugino were responsible for answering all questions raised by the teams from the Nissan side.

Synergy meant two things for Nissan; complementarity and mutual efficiency. It made no sense for Nissan if two companies having the same capability got together. It only made sense if the companies complemented one another bringing overall efficiency and benefits for both companies.

There was a great amount of secrecy between the two companies initially. However, in order to see the synergy effect and the actual benefits for both companies, the facts had to be revealed as Renault and Nissan progressed with their joint studies. Shiga recalled, "The kind of information that we were sharing with each other prior to the alliance agreement was a very rare case."

For example, one joint study was made on the development of a 1 liter gasoline engine. Based on the joint study conducted by the joint study teams, Nissan calculated the NPV of this investment. In addition to this, Nissan had projected a reference case on this development if it had been conducted separately with the different research capabilities that Nissan and Renault individually had. If the combined NPV of Renault and Nissan had exceeded the NPV resulted by the joint study teams, it made no sense to proceed with the joint project. The difference of the two resulting NPVs was what Nissan called the "synergy effect."

There were a few "win-lose" projects but most of the projects resulted in a "win-win" projection. The aim was to achieve benefits for both sides.

(iii) Phase III: Reporting The 21 Joint Study Teams produced a progress report each month between October and December. Shiga reported the results to Hanawa and Suzuki.

As Renault and Nissan progressed with their joint studies, the two Planning Departments had come down to a common strategy,

> "The two Planning Departments of Renault and Nissan agreed that after identifying a strategic link through the joint studies, we must form a common strategy in order to achieve profitable growth for both companies. The basic policy for the alliance strategy would be to distinguish the brand identity from any kind of synergy. We saw the possibility of manufacturing integration but not brand integration, just as we saw possibilities of back office integration but not front office integration. In other words, Renault and Nissan felt that we should integrate only the processes that were far away from customers." (Shiga, manager at the Corporate Planning)

On 15 December 1998, a final report produced by the 21 Joint Study Teams was submitted to Hanawa.

(iv) Alliance Formation Process (January–March) In the beginning of 1999, the negotiation became more aggressive and rapid, focusing on the restructuring of the organisation as well as financial and legal affairs. Due diligence commenced on 15 January 1999 for the purpose of validating mutual claims. Shiga commented on the alliance formation process,

> Since both sides had strong individual needs to make themselves stronger, the joint study took place "sincerely." It was not just a handshake between the top managers.

Sugino added his perspective on the alliance formation process,

> For Nissan, the negotiations and the execution of the alliance contract were a process and not an objective. The objective was not to finalise the contract wording but to examine how to share best practices. For example, it was evident that Renault had strengths in two things: cost management and customer satisfaction. Nissan had strengths in technology, productivity, quality control, and global-level operations. Nissan wanted to know how Renault managed to maintain such a low cost structure, but Renault would not reveal this information unless an alliance was formed. Therefore, forming an alliance was a means of obtaining this know-how, and not an objective per se. Agreement finalisation was only the starting point of the alliance.

(v) Employee Involvement Sugino explained the relationship between Renault and Nissan at the operational level to be the following:

> Nissan employees thought of Renault as a company that placed emphasis on communication improvement rather than negotiation.

Because of Renault's emphasis on communication, it was easy for Nissan to understand Renault. However, Sugino thought that the situation was quite the opposite for Renault.

> "The only point of contact on the Nissan side, who really knew the entire picture, was Mr. Hanawa, and hence I think that it must have been difficult for Renault to understand Nissan. (. . .) All of us were not really well aware of what was happening apart from what could be found in the papers. I knew in January 1999 because I had to prepare for due diligence. But I think most directors did not know about it until the day of announcement in March 1999. Only board members, Mr. Shiga and Mr. Sugino were informed by Mr. Hanawa." (Anraku, managing director in charge of finance and accounting)

Hanawa, always at the center of control, was very quick to respond to his lieutenants: Suzuki, Shiga and Sugino.

> "He would normally respond within the day. His decision making was very quick. That's when I sensed that Mr. Hanawa and Mr. Schweitzer were talking to each other very frequently, otherwise Mr. Hanawa could not have responded to me so quickly." (Sugino, manager at the Corporate Planning)

Although the word "global alliance" was never spelled out to his lieutenants by Hanawa, they gradually grew convinced that Nissan would really form an alliance with Renault in the near future. Unusual actions such as Hanawa's frequent calls to the Corporate Planning Department for feedback on the joint projects, or getting the managers there actively involved instead of confiding to his board members, or even the rapid response from Hanawa concerning queries during the process, made Suzuki, Shiga and Sugino gain confidence that soon a big decision would be made by Hanawa. There was also a sense of confidence building at the planning level. Although the decision would ultimately be made by Hanawa, the actions leading up to the alliance were taken by the Corporate Planning Department. As Suzuki said, "We made the alliance happen. We did it."

However, some people at Nissan wished that there were more key persons within the company involved during the discussions with Renault. This would have helped avoid the shock that followed and allowed Human Resources to have considered issues relating to post-alliance integration.

Hanawa and Schweitzer

(i) Letter (June 1998) Hanawa explained that initially, he did not think that a global alliance was really necessary. But rather, he felt the need to strengthen Nissan's overseas operation through their central office in Japan. Hanawa commented, "At first I did not think of forming an alliance with Renault, but I did consider possible joint cooperation. After all, everybody was doing that."

> "I think Mr. Hanawa initially wanted to take the independent survival approach when the options were opened to him after the Global Business Reform Plan presentation in May 1998. During the months between July and December I think he tried to do both, but ultimately, came down to the global alliance approach." (Shiga, manager at the Corporate Planning)

(ii) Negotiation with Schweitzer (July–December 1998) In July 1998, Hanawa decided to meet Louis Schweitzer, the Chairman of Renault. This was the first of many meetings to follow.

Between July and December, 1998, the two men met more than ten times in addition to numerous private telephone calls, to discuss the alliance. All of the meetings were one-on-one affairs, with Hanawa's long-time translator the only outsider present.

> "The relationship I had with Mr. Schweitzer was one of honesty. In fact, the first thing I said to Mr. Schweitzer when I met him in July was, 'I am going to be frank with you, whatever the negotiation results may be. So let's be frank with each other.' But with many people around, it is difficult to tell each other the truth, that is why I decided to negotiate alone. This also avoids insider risk. I think Mr. Schweitzer, on the other hand, was more careful about opening up to me because of the previous experience with Volvo. I believe the process leading up to an alliance is all about telling the truth; dishonesty only makes the process longer." (Hanawa, President)

(iii) Proposal of Potential Synergies During the course of their discussions, Hanawa and Schweitzer both agreed on the need to conduct joint studies prior to the alliance, in order to assess the organisational fit at the operational level. Both CEOs indicated to their Planning Departments to form a shopping list of possible joint projects and to perform these projects specifically in the form of "joint study teams." The CEOs wanted the potential synergies to be proposed by the operational level of both sides and set a year-end deadline for the results.

> "In a car company, when there's a problem, the problem normally rises from the engineering department. So engineers were selected from both sides to work on research topics for 3 months. Similar projects were performed for other departments as well. As a result, there seemed to be a good chemistry between Renault and Nissan." (Hanawa, President)

As the joint study progressed between Renault and Nissan, Schweitzer and Hanawa started to see an organisational fit between the two companies.

> "I was impressed with two things about Renault. Firstly, I was impressed with Mr. Schweitzer's courageous decision to embrace a new business opportunity, and secondly, the fact that we had agreed on the terms of equal position. This was important for me, as dominance destroys motivation. Once Nissan picks up, we will buy a share in Renault's equity. These are the terms that we both agreed on." (Hanawa, President)

Hanawa emphasised that the assessment from the joint study teams was the determining factor for the alliance.

> "Take for example, platform integration between Renault and Nissan. Nissan currently has 26 ranges of platforms and Renault has 8. If after the alliance, we can produce a common range of 10 platforms, it would reduce cost and increase efficiency. We all know that the concept is good, but we will never know if it is the right decision to make unless we do it. So I decided on the alliance to let actions take over. . . . Mr. Schweitzer told me about Carlos Ghosn's key role in the turn around of Renault three years back . . . I let him know that I wanted that man [to help Nissan]." (Hanawa, President)

(iv) Renault's "Big Picture" Presentation (10 November 1998) In October 1998, Schweitzer met Hanawa and articulated his perspective on the potential alliance between the two companies. Hanawa commented, "I did not agree with it from the start of course. But I was not surprised. Through our discussions, I felt that Mr. Schweitzer always had a more comprehensive view of the partnership than I did. I took it as one opinion."

At this time, Schweitzer expressed an interest in sharing his views with a larger set of people at Nissan. Hanawa agreed to let Schweitzer and his team fly over to Japan and make a presentation about Renault's cost reduction experience, as well as the potential synergies to be gained from an alliance between the two companies. The presentation to Hanawa and some of Nissan's top executives was held on 10 November at Nissan headquarters. Schweitzer, Douin and Ghosn explained Renault's cost reduction capabilities and presented a comprehensive turn-around plan.

> "At the presentation, the participants were informed for the first time of the overall direction which the joint studies might be leading towards. But to be frank, I myself was amazed at the details of their study concerning the potential synergies. I was surprised at the level of research as well as the level of involvement with which Renault had progressed with the alliance plans. Because at Nissan, the negotiation was strictly kept between Mr. Shewcitzer and I. This was the difference between Renault and Nissan. Renault knew exactly what they wanted from the beginning. I think our board only understood it as one possibility." (Hanawa, President)

(v) Final Meeting (21–23 December 1998) On 15 December, the final reports from the joint study teams were submitted, and the "synergy effect" figures were presented. Based on these figures, Schweitzer and Hanawa met on 21–23 December to hold a final meeting on the alliance plans. On 23 December, Hanawa let Schweitzer know that the alliance talks would not be exclusive, and that Renault would be asked to bid for both Nissan Motor and Nissan Diesel.

In effect, DaimlerChrysler had been in negotiations with Nissan Diesel, Nissan's affiliate truck company, since May 1998. Juergen Hubbert, DaimlerChrysler board member for passenger cars remarked that, "Nissan Motor would help DaimlerChrysler to achieve its aim of 20–25% of group sales being in Asia within 10 years. In the short-term we can do without a foothold in passenger cars in Asia, but we cannot do without one in trucks. Entering the Asian truck business is most urgent for DaimlerChrysler, but Nissan Diesel and Nissan Motor are interwoven in such a way that we are forced to talk about both."[10]

Hanawa later commented upon the interest of DaimlerChrysler,

> When Daimler and Chrysler merged in May 1998, Mr. Schremp talked about his interest in Nissan Diesel. This caused problems as it was supposed to be internal information, but by then, the Japanese press took it up as a great scoop.

Just a rumor?

> "Determining an alliance partner actually involves a lot of work, joint study teams, bottom-up reporting, etc. . . . In view of all the work that was put into the study process with Renault, I imagine that evaluating another alliance deal at the same time would really be a major undertaking." (Shiga, Corporate Planning)

(vi) Final Run After December 23 and until March 13, when Renault and Nissan finalized the basic alliance agreement, Hanawa and Schweitzer met only twice more. The core of the negotiations ended in December 1998.

> "Alliances are not a money-game, especially for car companies. We have responsibility for people at all levels. We all believed and trusted in Mr. Hanawa's decision. We believe he did the right thing." (Shiga, Corporate Planning).

On 15 January, due diligence commenced and the legal and finance departments took over. Hanawa had set a deadline of March because he felt that prolonging the process only created conflict and turmoil.

DaimlerChrysler ended all talks with Nissan on March 11, 1999. The Renault/Nissan alliance agreement was officially signed on 27 March 1999. This agreement aimed at strengthening Nissan's financial position and achieving profitable growth for both companies. On 28 May 1999, Renault invested 643 billion yen and acquired 36.8% of the equity of Nissan Motor and 22.5% of Nissan Diesel.

[10] *Financial Times*, March 8, 1999.

Appendices

Appendix 1 Global Ranking of Major Automakers (1998)

	Volume Mil. Units	Market Share
Global Ranking		
General Motors	8.90	15%
Ford Motors	8.50	15%
Toyota Motors	6.40	10%
Renault/Nissan	4.80	9%
Volkswagen	4.30	9%
Daimler/Chrysler	4.00	8%

Source: Warburg Dillion Reed Global Auto Analyser (September 1999).

Appendix 2 Comparison: DaimlerChrysler, Nissan and Renault

	DaimlerChrysler	Nissan	Renault
Annual Revenue ($ mio)	147.745.000	50.212.000	41.349.000
Net income ($ mio)	5.404.000	−213.000	1.500.000
Work force	441.500	135.800	140.900
World market share (value)	8.4%	4.9%	4.3%
Vehicle production (in millions—1998)	3.9 Daimler: 1.1 Chrysler: 2.8	2.6	2.1

Appendix 3 Renault and Nissan around the World

	Renault		Nissan	
Vehicles Sold (1998)	**Volume**	**Market Share (value)**	**Volume**	**Market Share (value)**
Western Europe	1.798.160	11%	505.768	3.1%
North America	—	—	656.704	4%
South America	110.656	5.1%	—	—
Japan	—	—	902.968	15.3%
ASEAN	—	—	129.172	10.8%
Turkey, Middle East, North Africa	117.040	7.9%	116.512	9.1%
Rest of world	102.144		336.296	
Number of Plants (1998)	**Full-fledged Plants**	**Local Assembly Sites**	**Full-fledged Plants**	**Local Assembly Sites**
Europe	18	—	3	—
Japan	—	—	12	—
Asia	1 (China)	2	2	3
North America	1 (Mexico)	—	4	—
South America	3	2	—	—
Africa	—	1 (Morocco)	1 (South Africa)	—

Appendix 4 Model Categories of Renault and Nissan

Renault			Nissan	
Names	**Volume Sold (approx, 1998)**	**Model Categories**	**Volume Sold (approx, 1998)**	**Names**
Twingo	250.000	Entry level	—	—
Clio	600.000	Sub-compact	350.000	March, Micra, Cube
Mégane, Scénic, R19	800.000	Compact	550.000	Almera, Sunny
Laguna	250.000	Mid-size	350.000	Bluebird, Primera
Safrane, Spider	50.000	Luxury	500.000	Altima, Maxima, Infiniti, Q45, Cedric
Espace	100.000	Minivan	150.000	Quest, Elgrand, Prairie
—	—	4*4	250.000	Safari, Patrol, Terrano
—	—	Pick-up	250.000	Pick-up
Express, Kangoo, Trafic, Master	350.000	Utility	150.000	Atlas Civilian

Appendix 5 Competences of Renault and Nissan (recognized at alliance signing)

Renault	Nissan
Cost management	Engineering competence
Global platform and purchase strategies	Technology
Innovative products	Plant productivity
Marketing and design	Product and process quality management

Appendix 6 Platform Integration

Example: Common platform (Clio/Micra)

	Common Range of Platforms		
	Renault	**Nissan**	**Alliance**
Number of platforms	8	26	10
Volume per platform (000 units)	280	105	500

Example: Components (joint development of a small diesel engine)

	Common Range of Engines and Transmission Families		
	Renault	**Nissan**	**Alliance**
Number of engine platforms	7	20	8
Volume per platform (000 units)	320	140	630

Source: Schroders; Renault-Nissan Strategic Alliance Report (April 1999).

Appendix 7 History of Renault

1898: Renault Frères founded in Boulogne, at Billancourt (production: 1 vehicle).

1903: Death of Marcel Renault. Louis Renault takes over (production: 778 vehicles).

1941: Occupation and collaboration with Axis.

1944: Arrest of Louis Renault by Allies (he dies September 24); factories are requisitioned.

1945: Nationalization decreed because of collaboration. Creation of Régie Nationale des Usines Renault. President: Pierre Lefaucheux (production: 12.031 vehicles).

1969: Creation of Renault-Finance to support international evolution (production: 1.047.986 vehicles).

1979: 22,8% participation taken in AMC (US). 10% participation in Volvo (Su) with an option for 20% (production: 1.872.526 vehicles).

1980: Increased participation in AMC to 46,4% (production: 2.053.677 vehicles).

1981: RVI (Renault Véhicules Industriels) buys Dodge Trucks (US) (production: 1.764.701 vehicles).

(continued)

Appendix 7 *(concluded)*

1983: Agreement with Matra. Renault takes control of Mack (US) (production: 2.035.133 vehicles).

1984: With debts of 57 billion francs (half annual revenue) and annual losses of 12,5 billion, Renault is virtually bankrupt (production: 1.740.737 vehicles).

1985: Resignation of Bernard Hanon. Georges Besse becomes president, puts in place a restructuring policy: recapitalisation of 8 billion by the French state, financial restructuring with RVI by 500 million francs, policy of disengagement and refocusing, 2.550 redundancies at RVI, plan to reduce headcount by 21.000 people in 2 years (production: 1.637.634 vehicles).

1986: Georges Besse is assassinated by Action Directe on 17 November. RVI announces 2.624 lay-offs, the Mexican factory of Sahagun is closed, 13.5 ha of factory space at Billancourt are put up for sale (production: 1.754.332 vehicles).

1987: Raymond Lévy president of Renault. Further lightening: AMC is sold to Chrysler. Renault becomes a for-profit firm again and prepares to follow a logic of profit after a second phase of recapitalization (10 billion francs) by the French state and shareholder (production: 1.831.390 vehicles).

1990: Renault becomes an SA (Société Anonyme) and Volvo now owns 20% of the capital (production: 1.848.078 vehicles).

1992: Raymond Lévy reaches age limit and cedes his place to Louis Schweitzer on 27 May (production: 2.094.774 vehicles).

1993: 6 September: the merger Renault-Volvo is announced. December: Volvo abandons merger (production: 1.761.496 vehicles).

1994: Renault goes public: the French state holds only 52,97% of the capital (production: 1.914.662 vehicles).

1996: Privatization. First losses since the 1980s 80 (production: 1.804.910 vehicles).

1997: Vilvorde factory (B) is closed (2.700 jobs). Return to profitability. French state: 46% of capital.

Appendix 8 Recovery of Renault (in FF mio)

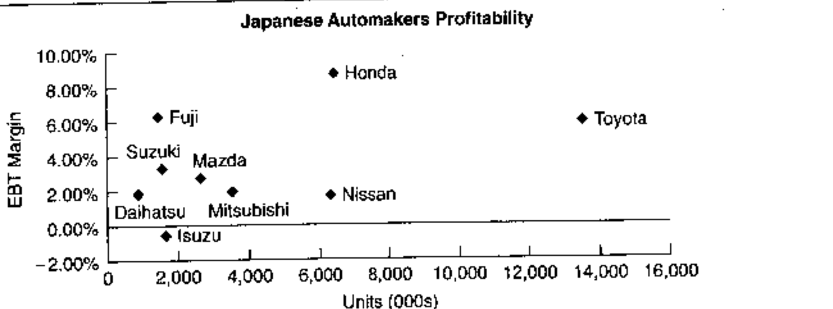
	1983	1984	1985	1986
Revenue	104.145.000	110.274.000	117.584.000	122.138.000
Net income	−1.420.000	−1.576.000	−12.555.000	−10.897.000
CAF (MBA)	1.446.000	1.938.000	−6.481.000	−6.003.000
Equity	10.119.000	11.164.000	1.851.000	−7.365.000
Work force	215.000	219.805	213.725	196.414
	1988	**1989**	**1990**	**1995**
Revenue	147.510.000	161.438.000	174.477.000	178.537.000
Net income	3.256.000	8.834.000	9.289.000	3.636.000
CAF (MBA)	10.010.000	15.260.000	15.050.000	12.145.000
Equity	−5.726.000	14.012.000	22.466.000	42.784.000
Work force	188.900	181.715	174.573	138.279

Appendix 9 Renault S.A. (France)—Financial Snapshot

	Renault S.A. (France) (mil. FF)						
	12/31/1992	12/31/1993	12/31/1994	12/31/1995	12/31/1996	12/31/1997	12/31/1998
Sales	184,252	169,789	178,537	184,065	184,078	207,912	243,934
R&D expenses	6,190	6,902	7,707	7,904	9,125	9,038	10,189
Income before taxes	6,481	1,094	3,485	1,976	−5,645	4,095	11,145
EBT margin	3.52%	0.64%	1.95%	1.07%	−3.07%	1.97%	4.57%
No of shares (mil)	224	227	238	239	240	240	240
Earnings per share	28.93	4.09	15.65	9.02	−22.07	22.78	36.97
Total shareholders'	33,965	33,877	42,784	43,796	37,770	43,917	51,562
Total debt	8,727	7,851	−1,458	3,368	9,385	2,097	−12,650
Debt/equity ratio	26%	23%	−3%	8%	25%	5%	−25%
Debt/sales ratio	5%	5%	−1%	2%	5%	1%	−5%
R&D costs/sales	3.36%	4.07%	4.32%	4.29%	4.96%	4.35%	4.18%

Source: Renault Annual Report

Appendix 10 Japanese Automakers Profitability (1998)



Source: Schroders; Renault-Nissan Strategic Alliance Report (April 1999).

Appendix 11 Structural Excess Capacity at Nissan (1998)

Region	No of Plants	Capacity	Production	Excess Capacity	%
Japan	4	2000000	1600000	400000	20%
Rest of Asia	3	260000	106000	154000	59%
N. America	3	720000	500000	220000	31%
Europe	2	430000	280000	150000	35%
Total		3410000	2486000	924000	27%

Source: *Automobile News.*

Appendix 12 Nissan Motor Co.—Financial Snapshot

	Nissan Motor Co. (Mil. Yen)						
	03/31/1992	03/31/1993	03/31/1994	03/31/1995	03/31/1996	03/31/1997	03/31/1998
Sales	6,417,931	6,197,599	5,800,857	5,834,123	6,039,107	6,658,875	6,564,637
Operating income (loss)	154,279	−5,417	−142,319	−102,717	43,235	199,880	84,346
Income (loss) before tax	166,371	−56,545	−101,331	−179,745	−81,454	101,073	−24,458
EBT margin	2.59%	−0.91%	−1.75%	−3.08%	−1.35%	1.52%	−0.37%
Total income taxes	67,859	7,842	−1,357	2,901	12,504	31,619	−6,842
Net income (loss)	101,295	−55,998	−86,915	−166,054	−88,418	77,743	−14,007
Number of shares (mil)	2,512	2,512	2,512	2,513	2,513	2,513	2,437
Net income (loss) per share	40.32	−22.28	−34.59	−66.09	−35.18	30.94	−5.57
Sales ('000 units)		2,813	2,691	2,700	2,671	2,710	2,568
Total long-term debt	2,045,135	2,331,172	2,680,736	2,209,000	3,728,000	3,839,000	4,342,000
Total shareholders' equity		1,580,000	1,429,000	1,429,000	1,356,000	1,356,000	1,282,000
Debt/Equity ratio		148%	188%	155%	275%	283%	339%
Debt/Sales ratio	32%	38%	46%	38%	62%	58%	66%

Source: *Nissan Annual Report.*

Appendix 13 Global Demand by Country

	Global Automobile Demand (000 units)						
	1995	1996	1997	1998	1999(exp)	2000(exp)	2001(exp)
United States	14800	15097	15115	15697	16900	16300	16300
% change		2.01%	0.12%	3.85%	7.66%	−3.55%	0.00%
Europe							
– Germany	3314	3508	3528	3740	3880	3980	3950
% change		5.85%	0.57%	6.01%	3.74%	2.58%	−0.75%
– France	1930	2132	1713	1944	2130	2160	2080
% change		10.47%	−19.65%	13.49%	9.57%	1.41%	−3.70%
– Italy	1720	1719	2412	2364	2350	2400	2420
% change		−0.06%	40.31%	−1.99%	−0.59%	2.13%	0.83%
– U.K.	1945	2026	2171	2247	2180	1950	1880
% change		4.16%	7.16%	3.50%	−2.98%	−10.55%	−3.59%
– Spain	833	909	1012	1191	1450	1450	1400
% change		9.12%	11.33%	17.69%	21.75%	0.00%	−3.45%
Total Europe	9742	10294	10836	11486	11990	11940	11730
% change		5.67%	5.27%	6.00%	4.39%	−0.42%	−1.76%
Asia							
– Japan	6865	6896	6726	5880	5886	6000	6200
% change		0.45%	−2.47%	−12.58%	0.10%	1.94%	3.33%
– China	912	976	1085	1027	1120	1305	1493
% change		7.02%	11.17%	−5.35%	9.06%	16.52%	14.41%
– Korea	1556	1644	1513	780	1092	1190	1273
% change		5.66%	−7.97%	−48.45%	40.00%	8.97%	6.97%
Total Asia	9333	9516	9324	7687	8098	8495	8966
% change		1.96%	−2.02%	−17.56%	5.35%	4.90%	5.54%
Latin America							
– Brazil	1579	1632	1827	1415	1100	1250	1450
% change		3.36%	11.95%	−22.55%	−22.26%	13.64%	16.00%
– Argentina	319	362	396	437	445	493	510
% change		13.48%	9.39%	10.35%	1.83%	10.79%	3.45%
Total Latin America	1898	1994	2223	1852	1545	1743	1960
% change		5.06%	11.48%	−16.69%	−16.58%	12.82%	12.45%
Rest of the World	5910	5446	6019	6000	6314	6765	6957
% change		−7.85%	10.52%	−0.32%	5.23%	7.14%	2.84%
World Total	41683	42347	43517	42722	44847	45243	45913
% change		1.59%	2.76%	−1.83%	4.97%	0.88%	1.48%

Source: Warburg Dillion Reed Global Auto Analyser (September 1999).

Appendix 14 Market Shares by Region

	1995	1996	1997	1998	1999(exp)
European Market Shares					
VW	18.30%	17.20%	17.20%	18.10%	18.90%
PSA	12.70%	12.00%	11.30%	11.40%	11.50%
Japanese	11.40%	11.10%	11.50%	11.70%	11.50%
GM	13.30%	12.50%	12.10%	1.50%	11.60%
Ford	12.40%	11.60%	11.30%	10.20%	11.50%
Renault	10.70%	10.10%	9.90%	10.70%	10.60%
Fiat	12.00%	11.10%	11.90%	10.90%	10.40%
BMW	6.40%	6.30%	6.10%	5.70%	5.20%
DaimlerChrysler	3.80%	3.60%	4.40%	5.00%	5.40%
US Market Shares					
GM	33.10%	31.70%	31.50%	29.40%	29.60%
Ford	36.20%	25.90%	25.70%	25.00%	24.70%
DaimlerChrysler	15.60%	17.30%	16.50%	17.70%	16.90%
Toyota	7.30%	7.70%	8.10%	8.70%	8.60%
Honda	5.40%	5.60%	6.20%	6.40%	6.30%
Nissan	5.20%	5.00%	4.80%	4.00%	3.90%
VW	0.90%	1.10%	1.10%	1.70%	2.20%
Mazda	1.90%	1.60%	1.50%	1.50%	1.50%
Koreans	90.00%	1.00%	1.10%	1.10%	1.90%
Japanese Market Shares					
Toyota	29.60%	30.50%	29.60%	28.90%	28.20%
Nissan	16.00%	15.90%	15.40%	15.30%	13.60%
Mitsubishi	11.90%	10.90%	10.10%	10.10%	10.20%
Honda	8.30%	10.20%	11.50%	11.60%	11.10%
Suzuki	9.00%	9.00%	8.90%	9.40%	10.50%
Daihatsu	6.00%	6.80%	6.70%	7.40%	9.10%
Mazda	5.30%	4.80%	5.00%	5.40%	5.40%
Fuji Heavy	5.00%	5.10%	4.50%	4.70%	5.10%
Imports	5.70%	6.20%	5.40%	4.70%	4.70%

Source: Warburg Dillion Reed Global Auto Analyser (September 1999).

Appendix 15 Global Automakers Profitability (EBIT Margin)

	1996	1997	1998	1999(exp)
GM	2.50%	−0.30%	3.50%	6.80%
Ford	3.40%	6.60%	6.70%	7.70%
DaimlerChrysler	5.20%	4.70%	5.60%	8.70%
VW	3.00%	3.00%	4.90%	5.00%
Renault	−3.30%	1.00%	4.40%	4.10%
Fiat	2.30%	3.90%	1.60%	1.40%
BMW	4.50%	5.50%	4.70%	5.20%
Toyota	4.90%	6.60%	6.30%	5.90%
Nissan	2.40%	1.70%	1.60%	1.60%
Honda	6.70%	9.80%	9.30%	8.70%
Suzuki	4.10%	3.50%	3.30%	3.30%

Source: Warburg Dillion Reed Global Auto Analyser (September 1999).