

**THE CHALLENGE OF CONSERVATION OF STRATEGIC CHANGE: THE CASE OF ALLIANCE  
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**Abstract**

In last year's, there is a global financial and business crisis. The bankruptcy of small and medium-sized enterprises is increasing and the majority of them are trying to make the necessary profit to survive. In addition, it is observed that this crisis also affects giant companies that either went bankrupt or came very close to it. The following project aims at presenting and analyzing the strategic Alliance of Renault, Nissan and Mitsubishi. Reference is made on the existing external environment and the drivers of the decision. More specifically the new trends in automotive industry towards mobility, connectivity and green products is discussed. Also, the model of the alliance, as well as the results, in terms of sales and development are presented. The three companies, during the previous year, developed a new co-operative scheme based on the "Leader-Follower" business model. This scheme is also critically presented. Then, SWOT analysis follows and proposals on future strategies are made.

**Keywords:** Automotive industry, Alliance, Environment, Swot analysis, Sales, Share, Advantages, Innovation.

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**INTRODUCTION**

The last years, there is a global financial and business crisis. The bankruptcy of small and medium-sized enterprises is increasing and the majority of them are trying to make the necessary profit to survive. In addition, it is observed that this crisis also affects giant companies that either went bankrupt or came very close to it. The winners in this crisis will be those companies that will try to develop new business models, that will produce strategies on a strong basis and that will constantly seek innovative ideas. Mergers, acquisitions and strategic alliances are quite effective and less time consuming ways to enhance the viability of companies in a difficult economic period, as it differs from their activity. The subject matter of this work, as we have mentioned, is the mergers, acquisitions and strategic alliances of companies belonging to the automotive sector. The analysis and the results obtained were based on data from bibliographic origin and is not the result of empirical research. More specifically, a study and analysis of the merger of the companies, Renault, Nissan and Mitsubishi, was carried out. Target of research is determined and appreciate the factors which influenced the successful or no successful outcome of superior merger.

**The importance of issue**

The very large reorganizations that are taking place in the world market, as well as the constant changes that are taking place at the technological level have led to the Globalization of the market. The need for differentiation and maintaining a competitive advantage on the part of companies is extremely obvious. One solution is strategic alliances, which can help businesses maintain and improve their competitive position. It is very essential to research the importance of creation alliance between companies for a success in global level, with target the acquirement of competitive advantage in brunch.

**Reasons of selection topic**

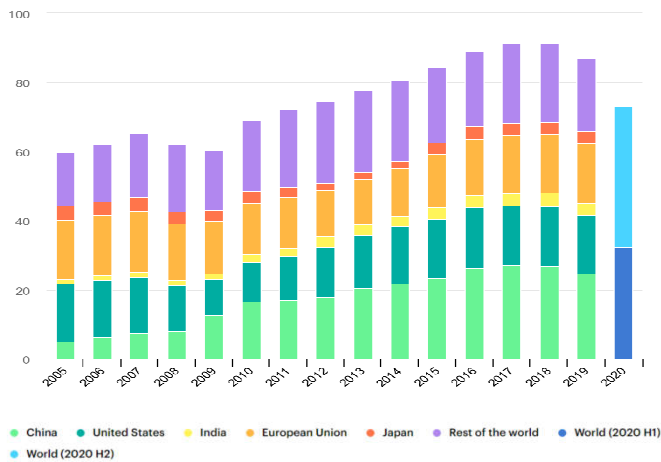
The reasons of selection topic are following:

- The enrichment of the researcher's knowledge about alliance strategies.
- The assessment of the degree to which the competitive advantage can be directly related to the performance of the strategic alliance.
- In this case, it is particularly important for the researcher to focus on how an alliance of Renault, Nissan and Mitsubishi will ensure greater profits,
- Another reason for choosing this topic is that the researcher tries to answer the main relevant questions such as, what is a strategic alliance., What is the reason for creating a strategic alliance, what is the purpose of its creation, but mainly enrichment of the researcher's knowledge in order to make the necessary suggestions regarding the time, the way, the method, the process and the reasons for the success of an alliance.
- The evaluation of the selection of the appropriate strategic partner, so that the results of a strategic alliance are positive.

**The Automotive Industry**

The Automotive industry is characterized by constant development, since the early 20<sup>th</sup> century. In fact, it can be argued that it has already undergone three different revolutions, concerning the business models, and now it undergoes the fourth one. The first revolution was the use of the first standard mass production models, like the one introduced by Ford, known as Fordism. Then, it was the divisional organized and vertically integrated model of production, introduced by General Motors. The third revolution came with the introduction of lean manufacturing models, by Toyota. Last, nowadays, sustainability issues raise and the "green" revolution is ahead. Bearing the above in mind, it is also indicative that the modern world is

characterized by the advancement of technology, which has brought significant changes in every aspect of people's lives. Digitalization is the key word which dominates and drives modern consumers' needs, attitudes and behaviors. Under this framework, the automotive industry needs to adjust to a complex global environment where competition is fierce, consumers' needs and preferences change rapidly and social as well as environmental issues need also to be taken under consideration. The recent global financial crisis affected sales in the industry, but it seems that companies managed to survive and in fact they demonstrated increase in their sales. Nevertheless, the recent COVID-19 pandemic has caused serious damage in the global economy, the automotive industry included. It is estimated that global sales for 2020 will decline by 20%, meaning that about 70 million vehicles will be sold, while it was expected that sales would be about 90 million vehicles (Lambert and Kareta, 2020).



Source: International Energy Agency (2020)

**Figure 1. Global car sales by key markets, 2005-2020**

In order for companies in the market to remain competitive they need to be aware of modern trend in the industry and try to follow them. These trends are highly related to technology and consumers' behavior, which has changed during the last years and continues to change. More specifically, according to a research by PWC the automotive industry faces radical changes. First, emission – free mobility, with the growth in sales of electrical vehicles (EVs) is a reality. It is estimated that consumers will continue raising the demand of these vehicles. Also, new software will be used, like traffic management infrastructure or software that will help drivers communicate with the “outside world”. Furthermore, the need to apply the latest technology will make company to update their models on a yearly basis (PWC, 2020). It is understood that the automotive industry is changing and needs to adapt in new circumstances. PEST analysis follows, in order to better understand the external environment of the industry, as well as Porter's Five Forces Model is presented, so as to understand the micro-environment in which Renault, Nissan and Mitsubishi operate in. In this way, it will be easier to present the rational of the alliance, as well as the details concerning the stakeholders.

## PEST Analysis

### Political Environment

The political environment, and more specifically the legislation affecting the operation of the automotive industry, affects the

operation of the Alliance. Besides, the companies have manufacturing plants as well as selling points in different areas of the world. More specifically, the political issues which affect the operation of the Alliance are the following:

- Legislation concerning employment and wages
- The openness of each country and the legislation concerning imports, exports and trading
- The general political environment in each country the companies operate

It is indicative that all the three companies are multinational and operate in a lot different countries. Renault has 40 plants in 16 different countries, Mitsubishi has 11 plants in 8 different countries and Nissan has 7 plants in Japan and in other 20 countries around the world. Thus, their operation is affected by the political environment in all these countries.

### Economic environment

The financial environment is important for the operation of the Alliance. The recent economic crisis is indicative of the effect of the economy on consumption trends and production. The automotive industry needed to adjust to the new economic environment by implementing cost reductions or strategies like mergers and acquisitions, while, at the same time, enhance R&D in order to introduced smaller and greener cars (United Nations, 2010). On the other hand, governments try to enhance sales by reducing import tariffs or by introducing legislation to support the industry. Besides, as a globalized industry, the automotive industry is affected by changes in variables like inflation, interest rates or per capita income.

### Social Environment

The Social Environment affects the automotive industry, since cars represent a product which is both a necessity but also a status symbol. First, people nowadays, are environmentally and socially sensitive. They wish companies, and automotive companies are included, to use eco-friendly materials and reduce their footprint on the planet. This is why consumers tend to prefer EVs over traditional cars. Next, young people demonstrate new trends, like car-sharing or ride –hailing, because they are worried about inconveniences like parking availability or fuel consumption and fuel emissions (Green European Journal, 2018). Also, technology has made consumers more demanding; while it has changed the way they communicate and accomplish their daily tasks. Modern consumers demand flexibility, connectivity and multi-media access during all their activities, green products and generally businesses which care about social issues as well as the environment. Under this framework, automotive companies develop their R&D departments in order to create and offer new generation cars which fulfill modern consumers' needs. Also, they develop socially responsible strategies and programs. For example, the Alliance of Renault, Nissan and Mitsubishi is a member of the “World Business Council for Sustainable Development Membership (WBCSD), an association which promotes sustainability for businesses, the society and the environment (NISSAN, 2020).

### Technological Environment

Technology is an important factor in the automotive industry. The technological progress has enabled the constant evolution

of cars. Companies in the field develop R&D departments in order to offer more and more technologically updated products. Especially under the modern society needs, companies try to implement high tech systems in order to improve safety, consumption, performance and passengers' convenience. The role of technology in the industry is critical and companies, in order to remain competitive, need to follow the trends and implement innovations in their products. It is indicative that since the first years of their production cars have changed remarkably and "electrification, connectivity and autonomous drive" are the factors on which car companies, and specifically the Alliance, focus (Alliance-2022, 2020). The entire above demonstrate that the external environment is critical for the operation of the companies in the automotive industry. It affects all aspects of their operation and drives their decisions concerning strategies. Below, the microeconomic environment is described, which, combined with the macroeconomic external environment create the framework in which car companies operate.

### Porters five forces model analysis

#### *Threat of New entrants*

The automotive industry is a mature industry. This means that there are companies which are established in the market and have loyal customers and substantial revenues. The threat of new entrants in such a market is not really important. Besides, the cost of creating such a business is high. Existing companies have developed economies of scale which enable them reduce costs. Also, R&D, which is an important aspect of the industry, is difficult to be organized by new businesses which do not have the expertise and the budget required. On the other hand, there are companies, like Tesla, which entered the market in 2003 and offers EVs (Tesla, 2020). These companies specialize in Electrical Vehicles in order to respond to a new, growing market. But, even by offering a different product, these companies have to compete with existing car manufacturers which also have started offering EVs and have comparative advantage in the sense that they can use their existing distribution and communication channels.

#### *Threat of substitutes*

The threat of substitutes is not important. Mass transportation means can be considered as substitutes for cars. But, it is true that people use cars at a great extend and, in fact, even if sometimes they use other transportation means, especially in big cities, they also have their own car. Cars represent a basic necessity for modern people and this reduces the threat of substitutes. Besides, changes in peoples' trends concerning mobility, like autonomous mobility and shared patterns, will further increase the use of cars. According to PWC (2020), "more people will travel more kilometers" and "the car of the future will be used much more intensively", making substitutes seem less threatening.

#### *Buyers' bargaining power*

Buyers' bargaining power, in the case of the automotive industry, is high. There are a lot of different brands which compete to gain market share. This, in a mature market, is not really easy and, as a result, companies try to attract consumers by offering better prices, special offers, extras, etc. Furthermore, buyers' bargaining power is enhanced by the fact

that modern consumers use social media as well as other sources and are well-informed on the vehicle market issues. This makes their bargaining power even better.

#### *Suppliers' bargaining power*

Suppliers' bargaining power is important since car manufacturers rely on them in order to assemble the cars. Besides, in order to become competitive and increase their bargaining power, component suppliers develop advanced R&D departments, while they locate their premises close to the manufacturers. On the other hand, the field is dominated by major companies, or Alliances, like that of Renault – Nissan – Mitsubishi, which have extensive power on their suppliers, since they realize important volumes of production. To sum up, suppliers' bargaining power is important but not major and in fact, the more organized and innovation and quality oriented the supplier is, the more increased is their bargaining power.

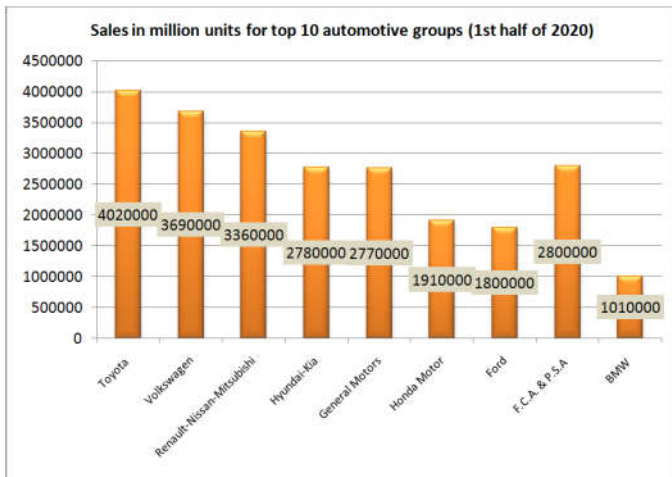
#### *Rivalry among existing companies*

Rivalry among existing companies is fierce. Car producers try to gain market shares and compete with each other, in an effort to respond to changing consumers' demands. Furthermore, due to the extended competition, manufacturers try to reduce costs, implement new production models - like the mass customization model - favor diversification and use strategies like alliances and consolidations. In addition, competition makes automotive companies allocate huge amounts of money on R&D, trying to use the latest technology and offer high-tech products. It is indicative that since the previous decade, car manufacturers co-operate at the research as well as the manufacturing level (Holweg, 2008). Moreover, the new trends for sustainability, autonomous driving and "becoming connected and shared" make competition even more intense. Besides, the traditional leaders need to compete with new players, like Tesla, while, at the same time, they need to take under consideration high tech companies - like Google - which provide technology and infotainment systems (Green European Journal, 2018). As a result, companies in the field compete in order to offer innovative, green, high tech products. In order to have a better understanding of the competition among existing companies, some data are provided. The most recent data reveal that TOYOTA is the market leader for the first half of 2020, with a market share of 12.4% (4.02 million units' sales). Then, Volkswagen Group follows, with 11.3% of market share (3.69 million units' sales). The group faced a major decrease due to the Corona virus epidemic. The third group in market share is Renault-Nissan-Mitsubishi Alliance with 10.3% (3.36 million units' sales). Then, Hyundai - Kia follows with 8.5% market share and 2.78 million units' sales. Data for the ten major competitors are shown on the table below and figures below.

**Table 1. The 10 ranking for automotive groups, 1st half of 2020**

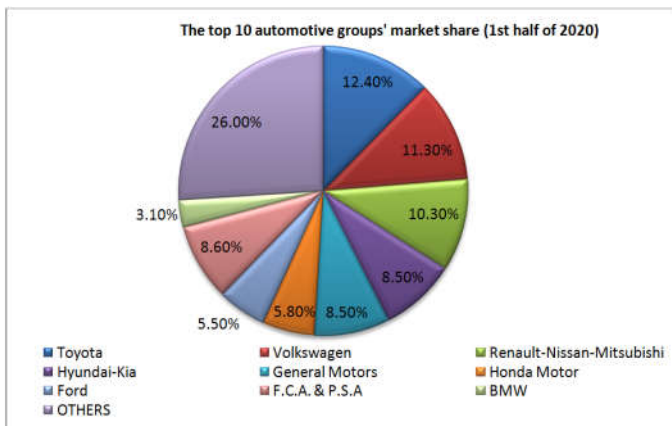
Group	Sales	Market share	% change (previous period)
Toyota	4,020,000	12.4%	-23%
Volkswagen	3,690,000	11.3%	-27%
Renault-Nissan-Mitsubishi	3,360,000	10.3%	-32.2%
Hyundai-Kia	2,780,000	8.5%	-19.7%
General Motors	2,770,000	8.5%	-25.8%
Honda Motor	1,910,000	5.8%	-21.5%
Ford	1,800,000	5.5%	-29.4%
F.C.A. & P.S.A (recently merged)	2,800,000 (together)	8.6% (together)	
BMW	1,010,000	3.1%	-21%

Source: data obtained by: Focus2move (2020)



Source: data obtained by: Focus2move (2020)

Figure 2. Sales in million units for top 10 automotive groups (1st half of 2020)



Source: data obtained by: Focus2move (2020)

Figure 3. The top 10 automotive groups' market share (1st half of 2020)

## The Alliance

After having presented the general trends in the automotive industry, as well as the external macro and micro environment that companies in the sector have to deal with, the background of the Alliance of Nissan – Renault – Mitsubishi is presented. More specifically, the drivers of the decision, the priorities and the basic lines of the agreement are presented. Last, the new model that was recently introduced is discussed. The new trends in the industry, accompanied with fierce competition have forced companies to develop strategies which would guarantee sustainability, in terms of market share and profitability. Besides, the technological development along with the social demand for “greener” products required investing on R&D. As a result, several forms of merger and acquisition strategies were developed during the last decades. The aim was to better allocate resources and develop production and distribution models which are more flexible and cost saving. But, as discussed below, mergers and acquisitions are difficult to implement and are more likely to fail, since companies cannot handle the change effectively. Delays or failure in the case of mergers and acquisitions have negative effects on corporate activity, which include the following (Fritzson *et al.*, 2000):

- Reduction of employees' productivity
- Loss of market share
- Increase in the cost of capital

- Reduction of the competitive power of the companies involved in the merger or acquisition
- Increase in shareholders' uncertainty
- Lack of effective coordination and cooperation among stakeholders

The Global automotive alliance which was found back in 1999 (at first Renault-Nissan participated and in 2016 Mitsubishi joined the group) is one of the longest-lasting ones in the industry. The Alliance of Renault-Nissan-Mitsubishi enables the members to offer vehicles under the following brands: Nissan, Infiniti, Datsun, Venucia, Renault, Renault Samsung, Mitsubishi, Dacia, Lada and Alpine.



The Alliance was realized in order to enable the three car manufacturers to respond to the changing needs in the automotive industry. The Alliance's vision is “Mobility for all: Building clean, affordable and safe cars for everyone, through electrification, connectivity and autonomous drive” (Alliance-2022). In fact, these three trends mentioned above, are the drivers for all car producers, since they represent the new aspects on which the industry should concentrate on (PWC, 2020). Furthermore, the target of zero emissions is also realized through offering EVs.

## Brief History

As already mentioned, the Alliance was first realized between Renault and Nissan, which was at that point (in 1999) facing bankruptcy. In fact, Nissan was declaring losses for a period of seven years. Renault bought 36.8% of Nissan stocks, percentage which became 44.4% when Nissan bought 15% of Renault stocks in 2001 (BBC, 2001). In 2002 the Renault-Nissan BV was created, a company in which each partner had the 50% of ownership. The company, located in Amsterdam, aimed at promoting the co-operation between the car manufacturers by developing new strategies and maximizing synergies. From 2010 and on, the Alliance developed several projects in co-operation with Daimler, in Germany. In 2016, Mitsubishi entered the Alliance. In 2017, the Alliance made a strategic move, by changing its logo and introducing the “Alliance” name, while the “Alliance-2022” six-year plan was announced. According to this plan, the Alliance wished to double annual synergies and manages to reach the amount of 10 billion euro, while the aim concerning revenues by the end of the plan was set to 240 billion dollars. Below, Ghosn statement follows (Alliance-2022, 2020).

“Today marks a new milestone for our member companies. By the end of our strategic plan Alliance 2022, we aim to double our annual synergies to €10 billion. To achieve this target, on one side Renault, Nissan and Mitsubishi Motors will accelerate collaboration on common platforms, powertrains and next-generation electric, autonomous and connected technologies. From the other side, synergies will be enhanced by our growing scale. Our total annual sales are forecast to exceed 14 million units, generating revenues expected at \$240 billion by the end of the plan.”

Carlos Ghosn, Alliance-2022 (2020)

## Structure and strategy

The Alliance is a strategic partnership, not a merger or acquisition. In fact, companies are attached together through a

cross-sharing agreement. All companies have cross-shareholding investments, something that makes each one act for the interest of the others, in financial terms. At the same time, each company maintained its brand identity and corporate culture. This co-operation strategy was innovative and in fact was adopted by other companies afterwards. By that time, mergers and acquisitions represented the most popular strategy that was followed by firms which wanted to expand and strengthen their competitive position. But, in the case of mergers and acquisitions, changes regarding brand identity and corporate culture need to be made. The change process is difficult and demanding and in most cases leads to failure (Sirower, 1997). This was the case for top-down acquisitions in the automotive industry during the 2000s (Chang-Ran, 2011). The new cooperative scheme was proposed as a response to the existing merger and acquisition strategies. It was in fact a partnership, which would enable participants to develop their market shares and sales volumes, by, at the same time, maintaining their identity and corporate culture. More specifically, the collaboration, first between Nissan and Renault, and then Mitsubishi, focused on the following:

- Create economies of scale for the companies. The companies began developing components, like engines or batteries. As a result, Nissan increased its sales in the European market, while Renault became the major builder of diesel engines sold by Nissan in the European market. Also, the companies developed consolidated logistics operations (warehouses, transportation) in order to reduce costs.
- Develop joint capital-intensive research projects which focus on sustainability issues, like zero emissions, and market development issues, like the expansion to new, emerging markets (South America, Russia, India).
- Increase the bargaining power of the Alliance members with suppliers.
- Develop “best practices” by exchanging know-how. It is indicative that after 10 years of co-operation, Renault had a 15% increase in its productivity due to the use of Nissan’s production system.

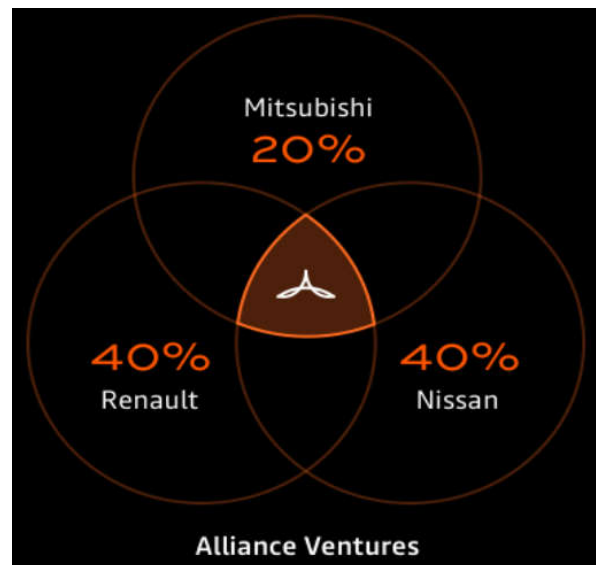
### Control

As already mentioned, the Alliance is not a merger, but a co-operation, something that raises issues of control. In fact, Nissan, even though it was the company with important financial problems when the alliance was decided, it is larger and more profitable. On the other hand, Renault holds a substantial percentage of Nissan stocks, as well as the right to vote in the board of Nissan. Nissan doesn’t have the voting right in Renault. Besides, the French government also holds a substantial stake (15%) in Renault, something that enables the government to interfere in the company’s control. Under these circumstances, Nissan managed to make Renault enter a binding pledge “never to oppose the Nissan Board at a company shareholder meeting”. Last, Carlos Ghosn, in 2018, wished to merge the companies, first Renault and Nissan and then Mitsubishi, under his control.

These plans did not become true, because Carlos Ghosn was arrested in 2018, accused for financial misconduct (Frost and Rose, 2018). The members of the Alliance have signed a new memorandum of understanding, in 2019, and developed a new business model which is discussed below.

### Alliance Ventures

The three companies have developed a strategic venture capital in order to promote the Alliance’s priorities. The venture enables innovation, while it supports – through equity investment – start-ups and entrepreneurs who develop businesses in the field of mobility. Thus, the venture is created to ensure a financial return by investing in the key priority areas which include: New mobility, Autonomous Driving, Connectivity and Sustainability (Alliance-2022, 2020). Through the creation of the venture, the Alliance will be able to attract businesses which innovate and, in this way, ensure leadership in the domain of automotives.



Source: Alliance-2022 (2020)

Figure 4. Alliance Ventures share for each partner

### Key priorities

The alliance was decided in a period where competition in the automotive market was fierce and companies faced severe problems, due to high costs but also the need for constant innovation. As a result, car manufacturers followed the strategy of mergers and acquisitions. The Alliance, on the other hand, is a co-operation among major players, like Renault, Nissan and Mitsubishi. The key priorities for the Alliance are in accordance with new era demands for constant change and sustainability, in order to create the “mobility of the future”. More specifically, the key priorities include (Alliance-2022, 2020):

#### Autonomous drive

In the field of autonomous drive, the Alliance aims at introducing technologies which enhance autonomy in driving. Renault developed systems, like the “Advanced Driver Assistance System”, which is used in two 2019 models, “All-new Clio” and “All-new Captur”. Nissan developed the “ProPILOT” technology and aims to include it in its models by 2022.

#### Electrification

One of the most important changes in the automotive industry is the launch of electrical vehicles, as a response to the need for environmental protection and energy saving. Nissan’s

LEAF, Renault's line of ZOE, City K-ZE, RSM SM3 Z.E., Twizy, Kangoo Z.E., Master Z.E. and Mitsubishi i-MiEV and Outlander PHEV SUV are sold worldwide and make the Alliance the market leader in EVs.

### Connectivity

The Alliance has developed a dedicated team – the “Alliance Connected Vehicles team - which works on developing connected solutions for all stakeholders. In co-operation with Microsoft, the Alliance has developed the “Connected Vehicles Platform” in order to enhance connectivity for new and existing cars.

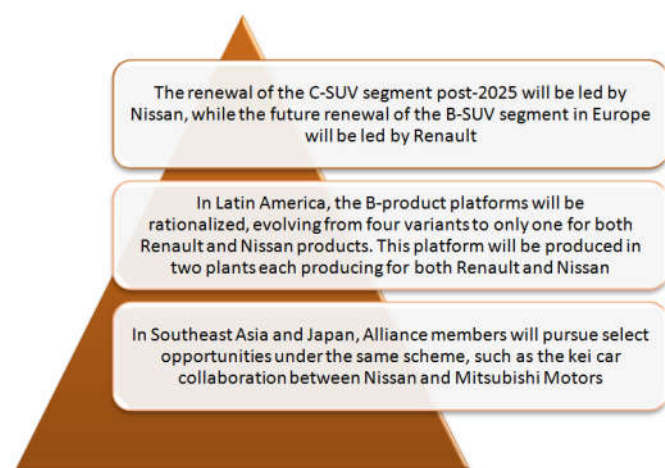
### Mobility

Focus on mobility services is also a new trend. Nissan has developed a partnership with an internet company, DeNA, in order to offer services like robo-vehicle, ride-hailing or Easy Ride.

### The new business model

As mentioned above, Renault-Nissan-Mitsubishi Alliance is a business model which has the advantages of mergers and acquisitions, like cost savings, increased market share and synergies in several domains (e.g. logistics), while, at the same time, allows participants to maintain their autonomy and corporate culture. Under the new circumstances developed in the automotive industry, where competition is becoming more and more intense, especially in the area of EVs, and there is the need for connectivity and high-tech software implementation, the members of the Alliance, once again, developed an innovative business model. The aim of the new model is to “enable members companies to bring out the most of their expertise and competitiveness to reinforce the Alliance as a whole in a radically changing global automotive environment” (NISSAN, 2020b). The new model is based on the “Leader-follower” scheme, where member companies will focus on developing a mother vehicle for each brand (the leader), while follower vehicles will be engineered. The aim is to reduce model investments by 40% and have half of the Alliance models produced under the “Leader-follower” scheme by 2025.

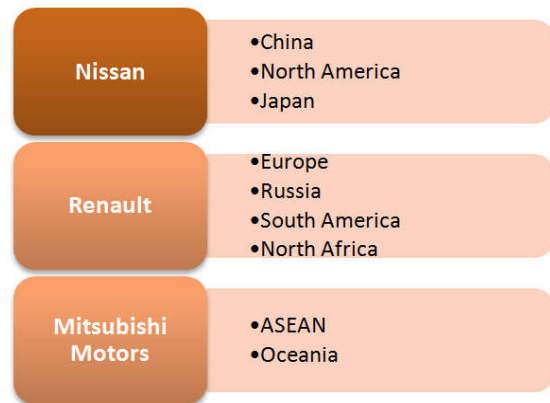
Some examples of the proposed strategy are listed below:



Source: NISSAN (2020b)

Figure 5. Examples of the “Leader-follower” strategy

Furthermore, under the new business model, each member of the Alliance will serve as a reference for the others, in different regions of the globe, as shown below:

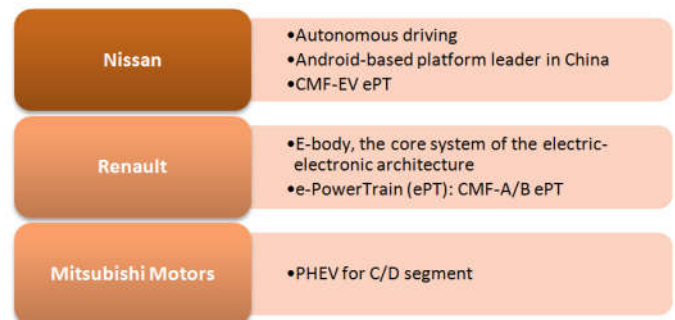


Source: author's creation

Figure 6. Reference Company by region

In this way, fixed costs will be allocated among the three partners.

In addition, the “Leader-follower” model will be incorporated in the field of high technology since it is an area in which the entire automotive industry invests. In order for the Alliance to remain competitive and contribute in the radical change of the global automotive environment, the new business model assigns leadership responsibilities as follows:



Source: data obtained from: NISSAN (2020b)

Figure 7. Leadership responsibilities concerning key technologies

The concept of the new business model is about enabling each member of the Alliance to share its expertise and enhance the competitiveness of the Alliance. In this way, the three major car manufacturers aim at covering market needs, in terms of vehicle segments and high-tech implementation, at a global level, by achieving sustainable profitability through Corporate Social Responsibility.

### SWOT Analysis

After having presented the external environment in which the Alliance operates, as well as the details of the cooperation among the three car manufacturers, SWOT analysis follows, so as to be able to evaluate the Alliance and make proposals concerning future corporate strategies.

#### Strengths:

- All the three manufacturers have strong brand equity
- All three members have long experience and are established in the automotive market

- The Alliance enhances the bargaining power against suppliers
- The Alliance permits investment in R&D
- The Alliance creates economies of scale in several areas, like the production and logistics
- All three members are dedicated in constant development and enhancement of competitiveness and market share
- The Alliance introduced innovative business models which have proven successful
- The members of the Alliance managed to maintain their internal culture, while co-operating effectively at the same time

#### Weaknesses:

- The Alliance has not yet managed to become the market leader
- There have been conflicts over control between Renault and Nissan
- Management control was ineffective and lead to Ghosn' arrest due to financial misconduct
- The Alliance needs to implement new technologies and further enhance quality
- There is not clear leadership, something that affects decision making and causes conflicts

#### Opportunities:

- Development by expanding to emerging market, like Russia, South America or India
- Opportunity to further develop the Alliance with co-operation with other manufacturers
- Opportunity to further develop EVs
- Technology provides the opportunity to constantly enhance production methods but also e-services

#### Threats:

- Competition by other manufacturers
- Financial or other unexpected global crisis, like the COVID-19 epidemic
- Synergies, like mergers and acquisition by competitors

#### Evaluation of the Alliance cooperation model

Before making suggestions concerning the proposed strategy for the Alliance, an evaluation of its performance is realized, based on the analysis that proceeded, as well as sales' data available.

- When Renault and Nissan decided to develop the partnership, Nissan was at a bad financial condition. Nevertheless, after Carlos Ghosn, the Renault executive, undertook Nissan management, the company recovered and soon declared profit. Besides, Renault was also favored, since in 2001 its revenues rose about 7%, thanks to the Alliance with Nissan (BBC, 2001).
- Top management, responsible for the Alliance, of the companies managed to effectively incorporate the change. It is argued that employees "don't feel the distinction between being with Renault or Nissan" (BBC, 2001). This is indicative of the fact that the two

companies succeeded in make the transfer to the new model, something really difficult and demanding.

- The three car manufacturers understood the need for change and the new trends in the global automotive industry. Co-operation was the response to the new challenges, so as to be able to invest in R&D.
- The three companies developed synergies which enabled them to cut down costs, while they managed to exploit the expertise of each member.
- The choice of the "Alliance" model was successful. Mergers and acquisitions were – and still are – a preferable type of co-operation. Nevertheless, through the Alliance, Renault, Nissan and Mitsubishi managed to maintain their corporate culture and management schemes, while, at the same time, co-operated in business and strategy issues. This strategy, even though it had some drawbacks concerning control, was proven successful. Besides, it is indicative that mergers, especially in the case of companies with different cultures, as in the present case, are not easy to implement.
- The new business model, so called "Leader-follower", is indicative of the fact that top management of the Alliance have realized the need for further differentiation and advancement in the fields of EVs, mobility and connectivity. Thus, they developed a model which aims at benefiting by the expertise of each member company, so as to cut down costs and enhance competitiveness and market share.

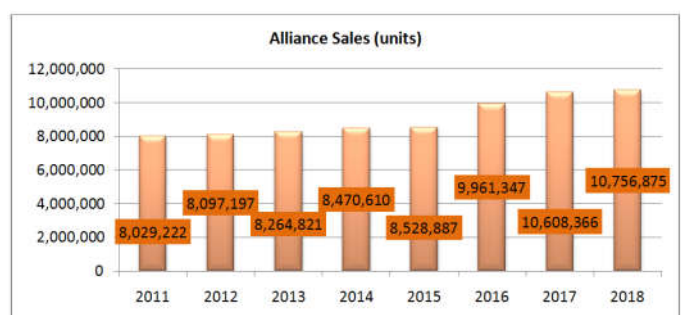
It seems that the alliance managed to become successful and is ranked third in global sales for the 1<sup>st</sup> half of 2020, while for 2018 it was the market leader in passenger cars and light commercial vehicle sales (NISSAN, 2020). Also the key facts and figures listed below demonstrate that the Alliance was a successful strategic selection for all the three companies.

**Table 2. Key facts and figures concerning Renault-Nissan-Mitsubishi alliance**

Renault-Nissan-Mitsubishi Alliance key facts and figures	
Vehicles sold worldwide	1 in 9
Electric Vehicles sold from 2009 to end of 2019	More than 800,000
Employees worldwide	More than 450,000
Manufacturing plants	122
Best selling EVs	Nissan LEAF (more than 409,000 units sold) Renault ZOE (134,000 units sold from 2012 to 2018)

Source: Alliance-2022 (2020)

Besides, the historical data, between 2011 and 2018, reveal that the Alliance was successful, since total sales constantly increased, as shown below:



Source: data obtained by: Alliance -2022 (2020)

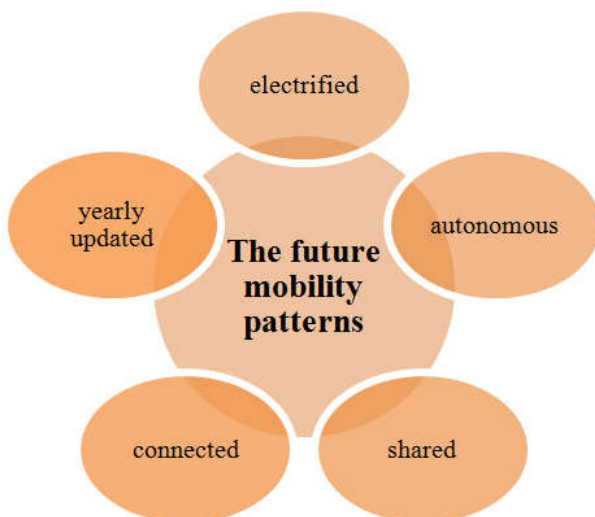
**Figure 8. Alliance Sales**

## Strategy Recommendations

Development strategies are those proposed for the Alliance, so as to further expand and gain market share and value. In fact, the following strategies are proposed (Henry, 2008):

- Backward Vertical Integration, through the expansion to the suppliers' market. The Alliance can develop synergies with major suppliers (by implementing the acquisition strategy), so as to control the components supply. Besides, the trends reveal that the cars of the future will be «yearly updated» (PWC, 2020), so it will be profitable to control the supply side.
- Horizontal integration, using the mergers and acquisitions strategy or other, innovative models, like the Alliance.
- Market Development. New, emerging markets are created and the Alliance needs to develop strategies so as to gain the largest market share in them. As already mentioned, the Alliance has started expanding in new markets like Russia and India and this expansion needs to continue.
- Product development. This strategy is one widely used in the automotive industry, since manufacturers try to offer differentiated models, in terms of extras, emissions, safety, performance etc, so as to gain competitive advantage. Modern technology offers a lot of space for innovation and product development and the Alliance needs to focus on this, so as to respond to, and even predict, market needs.

The above mentioned strategies need to be implemented in the framework set by the new era trends, and especially the need for Corporate Social Responsibility in all aspects of business. The automotive industry is highly related to environmental protection. It is a heavy industry, which is energy consuming in all stages of the production and distribution process, while car emissions are important. As a result, Electrical Vehicles, synergies in the logistics process and emission reduction must represent core priorities for the Alliance. Furthermore, the new mobility patterns include the trends referred below, and the Alliance needs to focus on them in order to continue its effort in becoming the market leader.



Source: adapted from: PWC (2020, p.8)

**Figure 9. The future mobility pattern**

Last but equally important, the Alliance, in order to survive and successfully implement its strategies and business models, needs to communicate the Alliance vision throughout the organizations, at all levels. Employees in all three companies need to participate in the change. This can be realized by taking their opinion and letting them take initiative concerning tasks and procedures. If employees feel part of the organization, then corporate goals become their own goals and they are willing to make their best in reaching these goals. Besides, participation and updating will help employees feel less insecure, concerning changes in the business model (Oreg *et al.*, 2011). Bearing the entire above in mind, it can be argued that Renault, Nissan and Mitsubishi managed to find an effective business model, in order to respond to new era demands. Even though some inconveniences may have occurred, the Alliance remains powerful and ready to face the future, by exploiting its best resources: expertise and know-how.

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