

How a failed merger inspired a successful Alliance

Looking back on 11 years of the Alliance, Mouna Sepehri, Managing Director of the Alliance CEO Office, says: "We took a gamble in 1999, this has not been a takeover by one company of another. The partners are equal and if you look at the various mergers in the auto industry over the past few years the Alliance is the only one to have created value.



"It was a good decision. All mergers in the auto industry have failed, but the Alliance is different. We respect each other, respect each other's cultures."

But the story of the Alliance starts well before 1999. According to Carlos Ghosn, Chairman and CEO of the Renault-Nissan Alliance, the success of the Alliance can be traced directly to the failure of the Renault-Volvo merger of 1993. At the last moment, Volvo - which was to own a minority (49 per cent) of the merged company - walked away from the deal, fearful for its loss of independence.

"Renault learnt a great deal from that failure," says Ghosn, who was to join Renault from tire maker Michelin three years later. "It learnt that mergers and acquisitions were perhaps not good business models. No company likes to lose its identity, its soul."

Bernard Rey, senior vice-president at Renault who also held executive positions at Nissan until March 2007, adds: "The intended Volvo merger was a disaster for us at the time. Top Volvo management were not supportive. They thought Renault was going to take control. In a way, it was probably a blessing. It prefaced many subsequent mergers and acquisitions and few, if any, have been successful."

The DaimlerChrysler merger of 1998, initially hailed as a success as it created the world's third largest automotive group, gave Renault further cause for concern. Renault was a relative motoring minnow, tiny alongside the big players. It was keenly seeking a partner to explore synergies and boost economies of scale.

"We had long wanted a relationship with a Japanese company," says Patrick Pélata, now chief operating officer for Renault but executive vice-president for product, strategic planning and programs for Renault from 2005 to 2008, who held a similar position at Nissan between 1999 and 2005. "We imagined it might be with a smaller company like Subaru. We couldn't imagine any big Japanese company would cooperate. My generation, who first went to Japan in the 1980s, discovered a huge gap in manufacturing capability. We were desperate to learn. But not surprisingly, the Japanese companies weren't telling us much."