RENAULT AND NISSAN: FORGING A GLOBAL ALLIANCE THAT IS GREATER THAN THE SUM OF ITS PARTS

CUSTOMER VIEW

"By putting the right tools, methods, and management approaches in place, we can help people of different cultures, different languages, and different experiences work together effectively."
—Carlos Ghosn, President and Chief Executive Officer, Nissan

"We selected Cisco solutions in all our networks and for IP telephony because of their ability to execute. We rate Cisco as our preferred partner in terms of network and telecommunications solutions."
—Farid Aractingi, Managing Director, Renault-Nissan Information Services

How do two culturally different auto makers come together under the umbrella of a shared vision? Renault and Nissan are building a powerful alliance that optimizes both companies' strengths and resources. Innovation and technology are critical to their global business transformation.

BACKGROUND

On March 27, 1999, the Renault group and Nissan Motor Co., Ltd. made automotive history by entering into an agreement to form an alliance—the first industrial and commercial alliance of its kind between a French and a Japanese company. The intent: to create a powerful automotive group by boosting the performance of both Renault and Nissan through wide-ranging cooperation, while preserving the two companies' distinct identities.

Developing Synergy

"It's very important to understand that the Alliance is formed by two companies with clearly different identities and clearly different brands, but with the purpose of developing as much synergy as possible to enforce each other's performance," says Carlos Ghosn, president and chief executive officer of Nissan. "The Alliance is about respecting differences because differences are a source of wealth."

Today, the combined production of Renault and Nissan, at more than five million vehicles a year, represents more than nine percent of the global market. The Alliance is one of the top five carmakers in the world with its five brands: Nissan and Infiniti for the Nissan group; and Renault, Dacia, and Samsung for the Renault group.

CHALLENGE

Just as there were opportunities for success with the Alliance, there was also the potential for failure. It all came down to execution, and the first order of business was a turnaround at Nissan.

Nissan lost both money and market share during the 1990s, and by the end of 1998 it labored under a debt load that reached US$19.4 billion. Financial and managerial resources provided by Renault—including CEO Carlos Ghosn and CFO Thierry Moulonguet—generated a decisive impetus for recovery. The turnaround plan produced rapid results and the company returned to profitability in 2001.

A Two-Fold Strategy

As Nissan completed its turnaround and the Alliance began to take shape, the executive team set its sights on profitability and growth. "The turnaround of Nissan is a great story but it is just the start, the first step in the deployment of the Alliance," says Thierry Moulonguet, executive vice president and chief financial officer, Renault. "The signature of this revival is growth, and for us profit and growth go together."

To achieve this two-fold strategy, Renault and Nissan first needed to find the delicate balance between maintaining the individual uniqueness of each company and optimizing their combined global resources.

SOLUTION

The executive teams launched a program of change management aimed at creating a global network of people sharing a singular vision: to build the best cars in the world. "To achieve the level of performance necessary, we knew we needed new IS/IT [information systems/information technology] capabilities," Moulonguet says.

Workforce Integration @ Nissan

"Being global means that we need to provide information in real time, not only to our employees but also to our customers, suppliers, and dealers," says Celso Guiotoko, vice president and CIO, Nissan. "We are working very closely in France, in Japan, and in the United States to deliver a strategic project we call WIN, or Workforce Integration @ Nissan. WIN will provide the tools and technology to take Nissan to the next level in terms of communication and productivity."

WIN offers human resource capabilities through self-service applications, as well as through real-time access to people and information. The network, based on Cisco Systems® equipment and technology, also helps enable standardized online supply chain and procurement systems that will streamline supplier interactions. To support this transformation, Nissan is upgrading its data center and adding storage area networking capabilities to handle the large quantities of information that will be moving across the network.

"The bar is being raised in every area, and speed is becoming more and more critical," says Jim Morton, senior vice president, finance administration, Nissan. "We can meet the challenge if we have the right tools, and WIN is one of those tools."

Renault-Nissan Information Services

Sharing leading practices is a fundamental principle of the alliance and, in July 2002, Renault-Nissan Information Services (RNIS) was established to deliver cost-effective systems and optimized infrastructure for the two groups' IS/IT departments.

"Information technologies and systems are enabling tools to transform the business processes of our two companies," says Farid Aractingi, managing director, Renault-Nissan Information Services. "We created RNIS to deliver value by serving as a global repository of core IT competencies that we can use to benefit the Alliance. It is much faster than creating it in each company."

RNIS is a joint company, created to benefit both Renault and Nissan by identifying ways to align processes in two organizations with different cultures, languages, histories, and time zones. The expectation is that employees in every function within Renault and Nissan will learn to use online collaboration tools to transform the way they work.

Renault-Nissan Purchasing Organization

Another joint company, Renault-Nissan Purchasing Organization (RNPO), is also part of the strategic plan. Created in 2001 to manage 30 percent of the total annual purchasing of Renault and Nissan with online systems, by 2002 that total increased to 43 percent, representing an annual purchasing volume of US$21.5 billion. By July 2003, the Renault-Nissan Alliance Board raised the purchase amount to US$33 billion, representing 70 percent of Alliance purchasing. The collaboration and information sharing to make a global purchasing organization successful would not be possible without investments in the enabling technology.

A Global Partnership

The Cisco® global account team worked closely with Renault and Nissan to evolve the existing IS/IT systems. "Cisco was one of the first companies to understand that Renault and Nissan must be dealt with as a global group and not as the addition of two entities," Moulonguet says.

The Cisco Internet Business Solutions Group (IBSG) provided leading practices and information-sharing sessions to help shape the structure of the organization, refine business processes, and define measures of success. "The feedback, the conversations, and the consultancy from the IBSG team have been very fruitful for the creation of RNIS, which was a difficult task," Aractingi says. "We rate Cisco as our preferred partner in terms of network and telecommunications solutions.

"The combination of product complexity and mass production makes it very important to rely on IT to transform processes, reduce the lifecycles of new products, and change the working habits of our employees," he says. "With RNIS, we are focused on building a common future together."

RESULTS

The Alliance's evolving IP Communications platform is making it easy for people to talk and work together more effectively across both companies. "We have been able to launch between 7 and 10 new products starting in 2002 and are continuing that pace—this couldn't have been achieved without very efficient IS/IT systems," Moulonguet says. Today, engineers from Renault and Nissan can work together from distant parts of the world through the communication tools and connections that are now in place.

"The WIN program aims to transform the workplace," Ghosn says. "It provides e-learning, e-meetings, and chat rooms between specialists." Now instead of having to travel or use the telephone, Renault and Nissan employees can be in contact with tens or even hundreds of people in a true online collaboration. "Common information systems and a common platform are enabling us to work together better," he says.

This spirit of cooperation is gaining momentum within both Renault and Nissan.

"We are working together on big issues like the IS master plan," says Jean-Pierre Corniou, chief information officer, Renault. "The master plan is to increase velocity. We need to increase the speed of design, engineering, manufacturing, and retail. Speed is a key factor of success in our business."

Because this speed will only come when the tools and technology are put to use, adoption of the new technology is very much on the minds of the executive team. "Our mission is not only to provide the best tools, but to be sure that people are using them wisely," Corniou says. Ghosn agrees. "You can't transform the company if you don't transform the behavior and mindset of the people," he says.

Technology is not an end in itself for Renault and Nissan. Rather, it functions much like a powertrain, to drive both organizations forward.

"Information technology is an enabler," Ghosn says. "We are developing a lot of programs inside Nissan and Renault, but the programs by themselves are not the goal. It's how the programs are used that is important." The WIN program allows more people at Nissan and Renault to communicate and exchange ideas instantly—something, according to Ghosn, that wasn't possible in the past.

WIN is expected to improve the productivity of every employee by two hours per day. This savings is significant in an industry where speed to market is a compelling differentiator.

"It takes a long time to make a new car, and by using more and more digital tools, our intention is to reduce this lifecycle by 50 percent," Aractingi says. "With digital tools we already have reduced the time between design and production of new products from 20 months to 10 months. Clearly, the capacity to work together as a team at anytime from anywhere is crucial—it is the heart of the transformation."

NEXT STEPS

With its new IP infrastructure taking shape, Renault and Nissan are ready to embrace new technology. Renault is taking the first step with a strategic decision to install IP telephony in its offices in France. This is phase one of a strategy to move to IP Communications worldwide.

Renault and Nissan are also focusing on the importance of technology inside their vehicles. "People want to be able to call, work, connect, and have information online while they're driving, and in a safe way," Ghosn says. "It is important for us to deliver this in a user-friendly way that provides value that is much greater than the cost for the consumer."

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