Astérix meets Keiretsu

Renault's alliance with Nissan

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Introduction

Mergers and alliances between transnational corporations have become a characteristic of a globalising world. The last decade has witnessed a tremendous increase in the number and the scale of mergers, with 1998 dwarfing all previous years with a total value of mergers of $2.4 trillion world-wide, a 50% increase on the previous record year 1997 (The Economist 1999a). The motives behind mergers, however, are diverse and not always convincing upon first sight. Rather, it seems clear that quick profits cannot be expected: several studies show that two thirds of all deals "have not worked" and that only the shareholders of the *acquired* firm gained in the process (ibid.).

Particularly striking is the trend that ever more alliances are formed across country borders, making culture an issue of primary importance. The failure of many recent cross-border take-overs can reasonably be ascribed to conflicts arising from cultural differences (AT&T's acquisition of NCR, Quaker Oats' take-over of Snapple [ibid.]). However, there is certainly also a huge potential for taking advantage of those differences as will become clear below in the analysis of the alliance between Renault and Nissan. Therefore, a clear understanding of the role of culture is crucial for the success of any international co-operation.

Culture is an inherently dynamic concept and as such difficult to define. Here a definition of culture as *the customary beliefs, social forms, and material traits of a racial, religious, or social group, as they manifest themselves in their historical context* (adapted from Merriam Webster's Collegiate Dictionary [1993]) is employed. The emphasis on the historical contingency is in particular justified by the recent acceleration of globalisation, defined here as *the process of the reduction of barriers to international communication and interaction*. Taking this into account, any analysis of culture must explicitly include the historical and contemporary development as well as the interrelatedness of culture and globalisation.

The dominating direction of the influence between globalisation and culture is not *a priori* clear (while it is obvious that there exists some influence in both directions). Neither is it clear whether globalisation tends to eliminate or to accentuate differences between cultures (Vroom 1999). While some argue that the convergence of superficial behaviour accentuates cultural differences (Hoecklin 1995: 4), others are convinced that living in a "global village" will eventually make cultures more similar just as, e. g., the people

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[1] A *keiretsu* is a cluster of co-operating companies typical for Japan as will be explained below.

of the United States has developed a unique culture in spite of its diverse roots. Renault's alliance with Nissan provides an interesting case to analyse whether globalisation indeed produces cultural convergence.

The Renault-Nissan deal

On March 27 1999, Louis Schweitzer, Chairman and Chief Executive Officer of Renault SA, and Yoshikazu Hanawa, President and Chief Executive Officer of Nissan Motor Co., announced that the two car makers would enter an alliance in which Renault would purchase a 36.8% equity stake in Nissan. The deal ended a months-long struggle of Nissan to raise liquidity after it had made losses in six of the last seven years and accumulated debts of $38 billion—over four times its market capitalisation (Edmondson et al. 1999). Like many other Japanese firms, Nissan expanded its capacity during the bubble economy, and when finally in 1997 the bubble burst, it had over-capacities of 30-40% (The Economist 1999d). An excessively large net of car dealers and of cost-inefficient suppliers contributed to Nissan's financial difficulties and to its failure to return to profitability on its own (ibid.). DaimlerChrysler had also pondered the possibility to get a stake in Nissan but eventually pulled back because it considered the debt burden too large to be justified by the envisioned advantages.

The motives for Renault to enter the partnership are the access to Nissan's superior engineering and production technology and to the North American and Asian markets in which Nissan is well-established. Nissan can expect, besides the cash injection, to profit from Renault's successful design and, above all, from its experience with corporate restructuring.

Renault was privatised only in 1996 and in the following years underwent radical restructuring. In 1998, productivity was boosted by 19%, helped by cutting 2,700 jobs, and until the end of 1999 costs of $3.3 billion are expected to be cut. The key figure behind the cost-cutting schedule and now the protagonist of the Renault-Nissan deal is Carlo Ghosn (pronounce: Gohn). Lebanese by descent, Brazilian by birth, a French citizen and Japanese by adoption, as he himself puts it (The Economist 1999d), he joined Renault in 1996 and vigorously implemented the restructuring plan, enabling him to be ahead of schedule in October 1999 and earning him the nickname 'le cost-cutter' (Zielenziger and Konrad 1999). In 1998, the company's profit rose to $1.5 billion after $0.92 billion in 1997 (ibid.). With a market value of $41 billion it now combines with Nissan to form the world's fourth largest car maker with a market share in Europe and Japan of 15%.

Business cultures

A country's business culture is not merely a subset of a national culture but the manifestation of a national culture—to the extent that this can be identified—in the way businesses operate[2]. Even though it is always strongly influenced by the national culture in a broader sense, it can sometimes even seem to contradict the latter (in particular, task-oriented cultures display a strong disconnection between behaviour on the job and in personal affairs). Since globalisation exerts particularly strong forces in the economic sphere, changes often manifest themselves first in business culture before they become part of the national culture, and an explicit recognition of business culture can therefore provide precious insights into the dynamics of cultural change. Since a country's economic order is a major determinant of the way business is done—and, indeed, of almost every aspect of society—it will be worthwhile to have a closer look at the relation between economic order and culture.

The market economy has established itself as the dominant economic order of today. Even though there is certainly no natural law-like mechanism in which this influences a country's culture, it is very plausible that a market economic order, as opposed to a planned economic order, favours values like individualism, masculinity, and universalism over collectivism, femininity and particularism[3]. The causality can be understood as consisting of two elements: first, the market economy promotes competition which is widely regarded as the guarantor of allocational efficiency. This process is largely independent of the affected country's cultural predisposition because the anonymity of markets makes their functioning rather insensitive to differences in interpersonal values[4].

Second, the fiercer the competition (i. e. the more it resembles text book 'perfect competition'), the stronger is the force on firms to follow a profit maximisation strategy. This is because in a fictitious situation of perfect competition, a firm that fails to maximise its profits in a sustainable way will not be able to survive in the long-run.

The link to culture is given by the insight that some cultural values are more compatible with profit maximisation than others. For example, a manager with a 'feminist' attitude might out of sympathy scruple to dismiss workers where it would be profitable. In a competitive environment this can mean a serious cost disadvantage that eventually disciplines the manager to do dismiss employees in order to cut costs and increase profits. In effect, then, this manager has been forced to follow a more 'masculine' attitude. The same competitive force will discipline a particularistic manager who selects his suppliers mainly by

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[2] The term *business culture* is not used by either Hoecklin (1995) or Trompenaars and Hampden-Turner (1998). The term is useful, however, in order to refer to the cultural traits characteristic for doing business in a particular country, rather than to those characteristic for a particular organisation. The term *corporate culture* shall be reserved for the latter meaning (cf. Trompenaars and Hampden-Turner, 1998: 7).

[3] For a definition of individualism/collectivism and masculinity/femininity, refer to Hofstede (1991), for universalism/ particularism see Trompenaars and Hampden-Turner .

[4] However, culture will have a strong influence on the extent competition is embraced.

personal affection and a collectivist executive whose preference for consensus slows down efficiency enhancing decisions.

Once it is recognised that globalisation intensifies competition (as is e. g. argued by The Economist (1999c) and Businessweek writers Bremner et. al., 1999), it follows that globalisation exerts a levelling pressure on particular cultural variables. Since Western Europe is the cradle of the market economy and has been under its influence for the longest time, it is not surprising that Western European countries in general display cultural traits that are more compatible with a market order than Asian or South American cultures. The distributions on the three above mentioned dimensions gives strong evidence for this (see e. g. Hoecklin, 1995).

Japan's business culture

The characterising feature of Japanese culture is the conscious and selective adoption and adaptation of foreign influences, termed 'Japanization' by Hoecklin (1995: 5), since the Meiji Restoration in 1868. However, while Japan has repeatedly beaten Western countries by their own weapons, it has always insisted on "maintaining the Japanese spirit" (Durlabhji and Marks 1993). In this sense it has always combined continuity with change, but always rejected a radical breach with traditional values (ibid.). Or, as a renowned author on Japanese history put it, "[t]he relationship between tradition and change in Japan has always been complicated by the fact that change itself is a tradition." (Edward Seidensticker, quoted in Mroczkowski and Hanaoka, 1993: 271)

The business-relevant psychological foundations of the 'Japanese spirit' are identified by Iwata (1982: 21ff) as situational conformity, familiarity relationships, and 'groupism'. Situational conformity combines aspects of Trompenaars' 'particularism' and a general flexibility of attitudes. Iwata circumscribes it as "the sharp perception of ever-changing situations and the attitude or ability to conform to such situational settings." (ibid.: 27). In terms of management it means that decisions are made ad-hoc rather than based on principles, which is why the Japanese are sometimes jokingly called "unprincipled people" (Lauenstein 1993: 241).

Familiarity relationships are relationships based on trust and involving personality. For businesses that means that relationships are expected to be long-term and not restricted to business matters. Good will and mutual trust are more important than short-term interest. Groupism, finally, refers to the consciousness that the I and the We are not as separable as in Western thinking. In Western terms, groupism means placing priority on the interest of the group before that of the individual, but the very idea of individual interest is a rather Western concept (Iwata 1982: 39f). This also becomes apparent in the literal translation of the Japanese term for 'I' ('watakushi') which is approximately 'self among others' (Trompenaars and Hampden-Turner 1998).

In the economic sphere, these psychological foundations have combined with the selective Japanization of Western values to shape a peculiar business culture. 'Employee sovereignty' (Itami 1994) is a central element, meaning that it is the right of a firm's employees rather than its shareholders to make decisions about the firm. It is worth noting that the Japanese word for 'employees' (*jugyoin*) also includes top managers (ibid.: 76). A corollary of employee sovereignty is that the influence of shareholders is very limited and that therefore a 'shareholder value' strategy is alien to Japanese business culture. The lifetime employment system which is gradually eroding is another crucial ingredient of Japanese business culture. It gives evidence of a deeply embedded company loyalty and of the familiarity relationship between a firm and its employees.

Familiarity relationships also gave rise to the heavily disputed *keiretsu* systems. These are industrial groups of big companies that are linked by trading relationships, manager exchange, cross-holdings, or financially via a bank. A *keiretsu* is characterised by its closedness towards outsiders and close co-operation within the group and is therefore in important respects a 'Japan in miniature'. It provides to the affiliated companies the advantages of a joint venture and is intended to spread the risk of product development, to provide capital, and to increase market share. Profit considerations are often of lower priority (Johnson 1993).

Japanese firms have a different attitude to strategy than Western firms. Whereas strategic planning and the systematic ranking of various goals is a central part of management in Europe and North America, Japanese managers do not think in these terms but rather see those ends as an inseparable whole (Lauenstein 1993: 240). A Japanese top manager is typically more concerned about developing new products and entering new markets than about rates of return or productivity. Market share has priority over profit maximisation, and "if one objective can be said to outrank the others in Japan, it is the well-being of the employees." (ibid.: 240) Further characteristics are consensus-orientation, the precedence of quality over quantity, and egality in rewards among employees including managers.

The concern for employees in Japanese business culture must not, however, be confused with European humanitarian ideals. Rather, a strong division between core and peripheral workers exists. While the core workers enjoy high job security and a strong affiliation with the company, peripheral workers, under which most women fall, serve as a 'shock-absorber' (Iwata 1982: 49). The concern for the well-being of employees is therefore restricted to the core workers and the result of selective familiarity relationships.

Pressures on Japanese business culture

The Japanese business culture can be labelled a 'nice-weather culture'. Already in the 1970s the Japanese economy had serious problems to cope with the slowdown of economic growth after the oil shocks. Apart from the factors that were common to all industrialising countries that were dependent on cheap oil at that time, Japan's unique features rendered it particularly vulnerable to a slowdown of economic growth. The excessive expansion of many Japanese companies prior to the burst of the bubble economy of the 60s was a direct consequence of lifetime employment, market share strategy and ad-hoc planning. Writing in 1982, Iwata remarks that "'Japanese-style' management was a form of management that was particularly well suited to a period of high economic growth." (p. 11) The problem of the "'bloated' structure of companies as they plunged into recession [...] ended up being one of the most difficult problems to be solved by Japanese employers" (p. 12). These peculiarities of the post-war Japanese business culture probably mean that this model was doomed to fail from the beginning because the rapid economic growth of the 50s and 60s could not go on forever.

The current economic crisis following the burst of the second bubble economy of the 80s and the increasing competition in the face of globalisation again exert major pressure on Japanese businesses. The fiercer competition forces Japanese companies via the above described mechanism to put profits first. The consequences are revolutionary: the Japanese legendary ability to retain their 'Japanese spirit' amidst continuous but rather superficial change (see above) seems to come to an end. The Japanese anthropologist and author Noriyuki Ueda sees the advent of "the collapse of our cultural and spiritual values" (quoted in Bremner et. al., 1999). Individualism is superseding collectivist attitudes, and this trend is reinforced by non-economic influences. As a consequence, the acceptance for the free market grows, even though this is rather because of a lack of alternatives than out of enthusiasm (Bremner et al. 1999). Nissan's alliance with Renault is another milestone in this development (The Economist 1999b).

France's business culture

France's major characteristic that lets it stand out among its European neighbours is its strong national identity that is itself a child of the three ideals of the French Revolution of 1789: *liberté, egalité, fraternité*. Despite—or because of—its embeddedness in the European Union, it continues to defend its national uniqueness and traditions, a quality that is nicely portrayed in the successful comic strip "*Astérix le Gaulois*". It tells the story of a brave Gaul who defends his village as the last bastion of Gallic decency against the Roman imperialism. The French president Jacques Chirac could almost have read from an *Astérix* script when he said: "We have the greatest respect for others, but we have our traditions, our model, and we wish to keep them." (Pedder 1999).

Standing in the occidental tradition of Christianity, the enlightenment, and market economics, the French culture differs in important respects from the Japanese. Perhaps the strongest European trait is individualism (on a individualism scale where the U. S. ranks highest with a score of 91, France reaches 71 while Japan scores 46; see Hoecklin, 1995: 36). On the other hand, France is far less 'masculine' than Japan (Japan scores highest with 95, France reaches 43; ibid.: 38). Interestingly, in terms of universalism/particularism the two countries hardly differ at all (no scores available; ibid.: 41).

The manifestation of French values in business culture gives a picture that shows surprising similarities with Japanese business culture. France has always had reservations about unfettered free-market capitalism and has therefore for a long time protected its economy from international competition (e. g. by a limit on the growth of Japanese car registrations by 3% until 1992; Gordon, 1990). In addition, rules and institutions emerged that were intended to make business more personal and humane. A French business analyst quoted in The Economist (1999) remarked that "French business leaders, in general, have a much greater sense of their social responsibility than their Anglo-Saxon counterparts." Dismissing workers is still almost a taboo while the influence of shareholders has until recently been very weak (Gordon 1990; The Economist 1999e).

Pressures on French business culture

Globalisation and France's integration in the European Union have exposed French businesses to unprecedented competitive pressure. The victory of a Centre-Right coalition under then prime minister Jacques Chirac in 1986 which began a turbulent period of *cohabitation* with the Socialist then president Mitterand was a clear sign. The population blamed the Socialist nationalisation policies for the economic failure, and by voting for the opposition that promised to deregulate the economy and to re-privatise the nationalised companies, they testified that France would start to embrace free market thinking (Bellanger and Blanchard 1989).

In the meantime a lot has changed. Majority interest holdings by the state of a number of large companies have been sold, including Renault, several large banks and public utilities. Investment from abroad, particularly the U. S., has soared, with now a significant part of French shares being in the hands of foreigners (Gordon 1990). Management styles are becoming strikingly more Anglo-Saxon, and ever more students from the *grande écoles* (elite universities) pick up U. S. habits while studying abroad (Larçon et al. 1989; The Economist 1999e). However, this change is to a larger degree not consciously introduced but rather unintentionally adopted. Dominique Moisi, deputy director of the French Institute of International Relations, notes that "[w]e've Americanised ourselves without realising it, and the more it happens, the more we resist it." (Pedder 1999) The French will, for some time at least, continue to assert their national identity.

Merging the cultures

Despite the warnings of several observers that the alliance would suffer from "enormous cultural friction" (a Japanese-born professor of international studies teaching in the U. S.; Zielenziger, 1999), cultural differences will most likely turn out to be of a minor problem for Renault and of advantage for Nissan. The main reason for this probably surprising forecast is that the two companies' corporate cultures have shown unambiguous signs of convergence. With the radical restructuring of Renault after 1996 (see above) the French car maker radically broke with traditional French business culture and embraced Anglo-Saxon management styles that are more in line with competition—profit maximisation and shareholder value.

Nissan's management, on the other hand, has publicly declared that they want to achieve a new corporate culture. Mr Hanawa demanded from Nissan executives that "[w]e need to change our mindset and our behaviour. [...] Our problems will not necessarily work themselves out by this alliance alone." (Zielenziger 1999c) The Japanese tradition of *gaiatsu* (foreign pressure) also makes a cross-border alliance attractive for Nissan. *Gaiatsu* means that unpopular measures are more acceptable when foreign pressure can be declared responsible or when a foreigner is in charge (The Economist 1999d). Thereby Japanese managers can save their face while enabling the firm to survive.

In spite of this optimistic assessment, there will certainly also be conflicts arising out of differences in culture and especially communication. After all, culture is not like a piece of clothing that one can change with the mood of the day. In the new alliance Renault's hierarchic and authoritarian style could clash with the consensual approach of Nissan (Zielenziger and Konrad 1999), but the overlap of more substantial cultural values will likely limit those conflicts.

Carlos Ghosn is the central figure that represents the "embodiment of foreign influence" (Bremner et al. 1999). In October he presented a revival plan that included the closure of five Japanese plants by March 2000, the cutting of 21,000 jobs world-wide (from 148,000 to 127,000) until 2002, a reduction of the number of suppliers by a half, and significant cuts into the dealer net (Nissan Motor Co. 1999). Surprisingly, the Japanese side in general accepted the news without much opposition. Mr Hanawa, stressing that he and the Nissan executive committee backed the revival plan, commented that the restructuring plan is "tough, perhaps even severe, but then our situation is severe." (Zielenziger 1999b) However, the statement of a Nissan subcontractor who is reported to have said that "I am happy to be a victim if it means Nissan will survive." (Zielenziger 1999a) is a reminder that particular attitudes may not surrender quickly.

Globalization and cultural diversity

The interrelation between culture and globalisation is complex. Nevertheless, it appears that in the economic sphere there is one driving force that eradicates those cultural traits that do not fit it: competition. In the two countries under consideration, Japan and France, strikingly similar developments can be observed, and in both cases those values more compatible with fierce competition gain importance. As markets become more competitive, managers are forced to betray their traditional values and to adopt the values of the global culture of profit maximisation. The crisis of Nissan illustrates this fate, just as its alliance with Renault is another victory of the "cut-throat economy" (Neff 1999) over more egalitarian models.

However, business culture is about much more than competition and profits. There is no reason why competition would favour, say, task-orientedness at the expense of person-orientedness. On the contrary, it seems plausible that differences between those values that are unaffected by competition are accentuated because they are a potential source of competitive advantages (cf. Hoecklin, 1995: 74ff).

The complex relation between business culture and national culture, however, further complicates matters. Nevertheless, as it seems unlikely that a pervasive change in a country's business culture does not have repercussions on the national culture, a modest conclusion is that globalisation indeed leads to cultural convergence with respect to particular values . Maybe, when Astérix met keiretsu, they were already in Seattle.

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