

All together now

The Renault-Nissan alliance has become a template for the car industry.

EVER since the forging of Renault's alliance with Nissan in 1999, Carlos Ghosn, the boss of both carmakers, has been on the lookout for new partners. He passionately believes that the alliance model he has created is superior both to the full mergers the car industry has often mucked up and to the limited co-operation deals that are two a penny. But attracting others to his big tent has taken time.

In 2002 Nissan launched what has proved to be a successful joint venture in China with Dongfeng: it has become the leading Japanese brand in China, now the world's most important car market. In late 2007 Nissan beat out General Motors to become a "strategic partner" of AvtoVaz, a big but sickly Russian carmaker, taking a 25% stake. Since then, Russian car sales have nearly halved. But Mr Ghosn believes that the tie-up with AvtoVaz will bring his alliance a 40% share of a market that was briefly as big as Germany's and probably soon will be again.

Earlier this year Mr Ghosn brought Daimler, a German maker of trucks and luxury cars, into a three-way alliance with Renault and Nissan. Daimler's Dieter Zetsche, anxious to find a way to cut the cost of developing the firm's loss-making small cars, had held lengthy but fruitless discussions with, among others, Volkswagen, BMW and Fiat. The alliance will focus on sharing resources in four main areas: platforms for small cars and light commercial vehicles; small petrol and diesel engines; technology for fully electric and hybrid cars; and bigger diesel engines. Eventually Mr Ghosn is hoping for a bigger cross-holding than the tiny stakes in each other that Mr Zetsche agreed to.

A successful alliance, Mr Ghosn says, "really is like a marriage". Renault owns 44% of Nissan, which in turn holds 15% of Renault. They purchase most of their parts jointly, and have gradually learned to share engineering expertise, such as Renault's strength in diesel engines and Nissan's in petrol ones. The alliance, Mr Ghosn argues, has also made Nissan more daring and Renault more cosmopolitan.

But Mr Ghosn believes that further scale is needed for three reasons. First, under pressure from legislators anxious to boost fuel efficiency and cut carbon emissions, carmakers are spending huge sums on developing a range of sophisticated new powertrains. Second, there is a pressing need for investment in substantial new manufacturing capacity and dealer networks in the emerging markets that are generating nearly all the industry's growth. Finally, Mr Ghosn says, you can no longer survive as a "niche player" specialising in small cars or luxury vehicles. To cover overheads, big car manufacturers must cover every segment.

Whether Mr Ghosn's web of alliances can deliver all this is unclear. Even where full mergers have taken place, as with the disastrous union between Daimler and Chrysler, savings have proved elusive because engineers from one side are unwilling to share ideas and resources with the other. After 11 years and much effort, some argue, Renault and Nissan have yet to equal the efficiencies of the various arms of VW Group or Toyota, which are both tightly integrated and centrally managed.

Mr Ghosn admits that it is hard to overcome the "engineering bias" that is often the enemy of efficient scale in the industry. "We are autonomous, but little by little we can commonise engines, transmissions and platforms," he says.

Although other carmakers have not fully embraced Mr Ghosn's model, variations of it are spreading fast. VW sees the 20% stake it took late last year in Suzuki, which is strong in India and in small cars, as a "critical" step towards surpassing Toyota as the world's biggest car

company. PSA Peugeot Citroën and Mitsubishi, while balking at big cross-shareholdings, are keen to deepen their ties. And although Fiat has in effect taken control of Chrysler despite owning only 20% of the American firm, it is adopting a similar management structure to Mr Ghosn's at Renault and Nissan. Mr Ghosn has long believed that knowing how to run an alliance is a big competitive advantage. It seems that he is no longer a prophet without followers.

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