

Chapter 10

The Evolution of KM Practices: The Case of the Renault–Nissan International Strategic Alliance

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ABSTRACT

The objective of this chapter was to understand how a “hybrid organization” (two automobile manufacturers Renault and Nissan within a strategic alliance) uses social networking and Web 2.0 tools to collaborate not only inside traditional organizational boundaries and within the alliance structure but also across geographical frontiers. Nissan has gradually lost its historic status as keiretsu as a result of its strategic alliance with the Renault. This alliance has had numerous consequences for the organizational structure of Nissan, even though both companies have maintained their identity by maintaining the two brands internationally. KM practices have evolved since the beginning of the strategic alliance. Two phases can be considered. During the first three years of the alliance, the two car manufacturers relied mainly on their own specific KM practices and processes. The second phase started in 2004 with the development of KM 2.0 and Web 2.0 tools. The adoption of these tools by Renault has led to increased collaboration between the two manufacturers.

INTRODUCTION

Competitive advantage is no longer completely dependent on capital and equipment; information and knowledge assets are increasingly important. More and more value generation lies in distribution, financing, marketing and service rather than manufacturing products. Knowledge and

the potential of ICTs penetrate every step of the value chain. The result is a new challenge to the practice of management. Knowledge Management (KM) is a set of techniques and tools to uncover and utilize information and knowledge assets—especially tacit knowledge.

KM 2.0 is a new step. Companies are undergoing another transformation toward “socialization,” as new usages of information and knowledge sharing emerge. KM 2.0 practices can be used

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to enhance external knowledge sharing among the network (alliance, business ecosystem) and to capture and share tacit knowledge within an organization with several consequences on value chains. Successful companies are becoming more networked in a fiercely competitive environment.

Few industries have a greater reliance on knowledge management than the automotive sector. This industry concentrates a huge quantity of information in several areas because the processes involve thousands and thousands of documents and facts. It is one of the reasons explaining our choice to examine, in this chapter, the evolution of knowledge sharing, KM practices, at Nissan, which is a “Japanese” car manufacturer.

This case is interesting because since the end of the 1990s Nissan has undergone drastic changes in terms of organisation and production methods. Nissan was considered for many years as a vertical *keiretsu*. Vertical *keiretsu* (manufacturing) are vertical groups of companies that are more or less independent from one another (small subcontracting firms, suppliers and equipment manufacturers) but are under the umbrella of a prime manufacturer. They are quite common and above all are well-represented in cars (Nissan, Toyota). But the Japanese recession in the 1990s had profound effects on the *keiretsu*. In addition, cross-borders M&A and strategic alliances with foreign partners in the 1990s have reshaped the Japanese automotive industry. It is within this context that in 1999 Nissan and Renault have entered into a strategic alliance. This alliance married two culturally different parties. Another major challenge to large automotive firms engaged in alliances is, then, the diffusion throughout the firm of the capability learning from a partner and the diffusion of knowledge management practices (from KM to KM 2.0). It is precisely this issue we propose to analyse in this chapter.

The structure of the chapter is as follows: the next section (1) presents the historical and economic development of Nissan *keiretsu*. The

Renault-Nissan strategic alliance is described in section 2. The following Section (3) deals with the impact of the strategic alliance on the evolution of knowledge management practices. The chapter concludes with a summary of the chapter’s argument and some implications.

THE NISSAN KEIRETSU: AN HISTORICAL RETROSPECT

The history of the automotive industry in Japan and the main automotive manufacturers (Toyota, Honda, and Nissan) during the last half century has been shaped by the existence of *keiretsu* defining the boundaries for the players’ behaviours.

From *Zaibatsu* to *Keiretsu*: Historical Background

Whether called *zaibatsu* or more recently *keiretsu*, corporate groupings have been a distinctive part of Japanese industry for decades.

The *keiretsu* has its origins in the Meiji era. At the end of the 19th century, the Meiji government accelerated the industrialisation of Japan by creating family-controlled large industrial and financial enterprises (banking, insurance, mining, shipbuilding, manufacturing of cement, paper) known as the *zaibatsu*. These giant conglomerates, controlled by ten families (or clans), became the drivers of the pre–World War II Japanese industry and economy. They were very powerful groups (among them Mitsubishi, Mitsui, Sumitomo and Yasuda) and were involved in industries such as steel, shipbuilding, international trading and banking.

During World War II, *zaibatsu* produced a large part of the country’s weaponry. In addition, they were seen to be monopolies by the Americans after the war. Consequently, between 1946 and 1948, following the American occupation forces, the *zaibatsu* dissolution program was imposed by

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