

**Gill, C. (2012). “Cross-Border Mergers & Acquisitions:
The Cases of Renault-Nissan & DaimlerChrysler-Mitsubishi”,
Human Resource Management, 51(3): 433-456.**

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Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Carlos Ghosn (born 9 March 1954)

- ❖ ... is a **French Lebanese Brazilian** businessman who is currently the Chairman & CEO of Renault (FRA) & holds the same positions at Nissan (JPN).
- ❖ ... spent **18 years** at **Michelin** after his graduation.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Are Management & Leadership the Same or Different?

❖ Kotter (1990)

- **Management:** Functions that create *order & stability* & ensure that *processes are carried out efficiently*.
- **Leadership:** *Traits & skills* that *inspire, motivate, & drive change*.

❖ Steve Jobs (Apple)

- Much of the traits required to be a leader are in the *genes*.
- Demonstrated his *great strategic innovative thinking* around applications of technology.
- Able to *communicate his ideas* & *passion to a broad audience*.

Appreciation Strategy Humility
Commitment Responsibility
Integrity **Leadership** Listening
Honest Communication
Values Purpose Determination
Passion Principles



Renault-Nissan vs. DaimlerChrysler-Mitsubishi



*“Leadership is firstly based on your ability to **connect** & to **attract** people around you”.*

*“Being afraid of failure usually **provokes** failure”.*



*“You have to have **strategy**, how do we get there, what are the **action plans**, & make sure they are deployed at **every level** of the company”.*



Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Akio TOYOTA vs. Carlos GHOSN

❖ CEO Messages to Shareholders (2013)

587

words



1,175

words

Global Mindset

2.00

3.50

Entrepreneurial Orientation

2.00

3.75

Confidence

2.00

2.50

Long Term Orientation

5.50

3.75

Note: Own calculation based on DICTION 7.0.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



1



2



3



4



5



HONDA

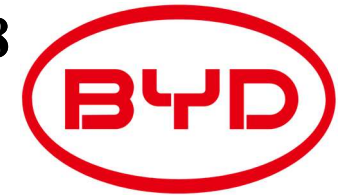
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7



8



9



CHANGAN

10



11



Mercedes-Benz

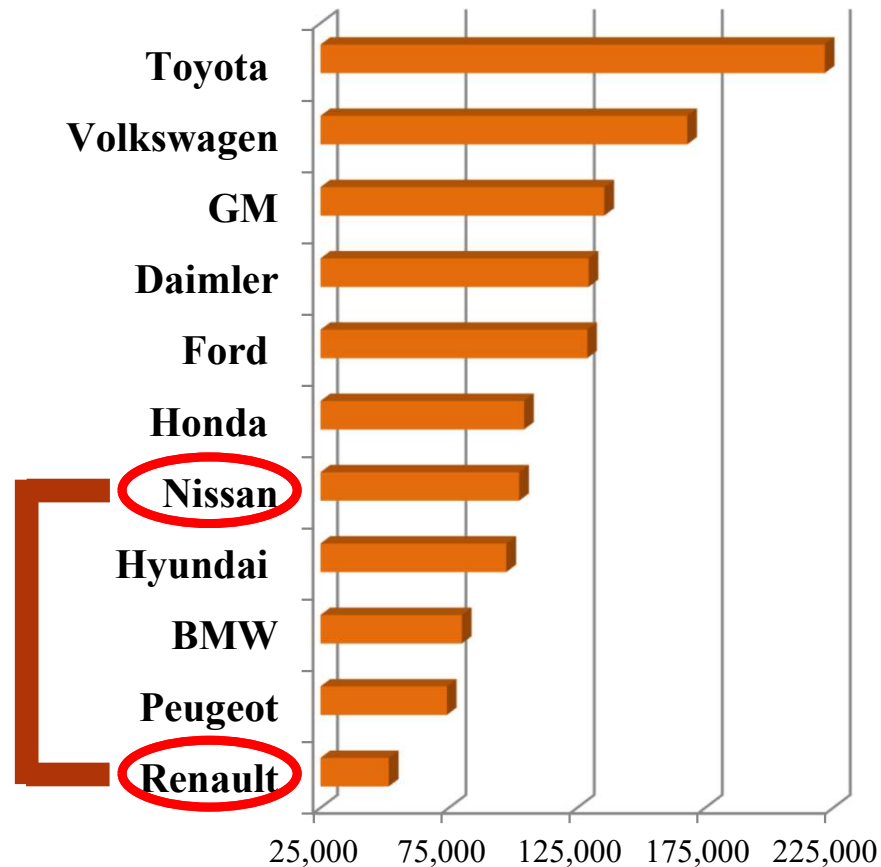
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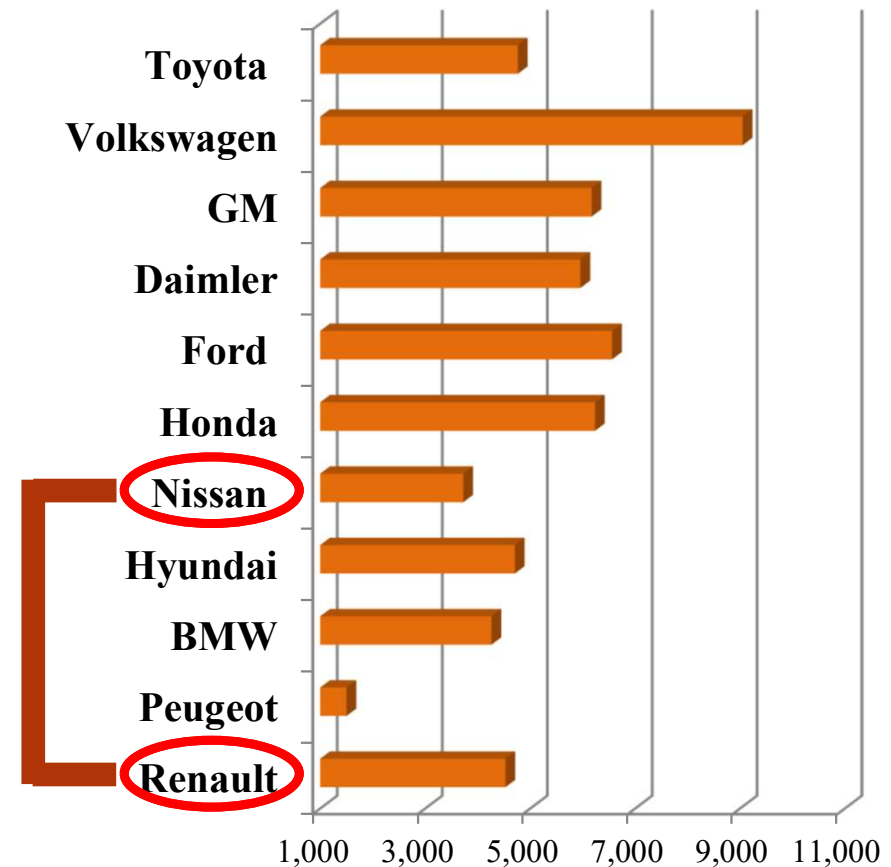
Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Revenue (US\$ million)

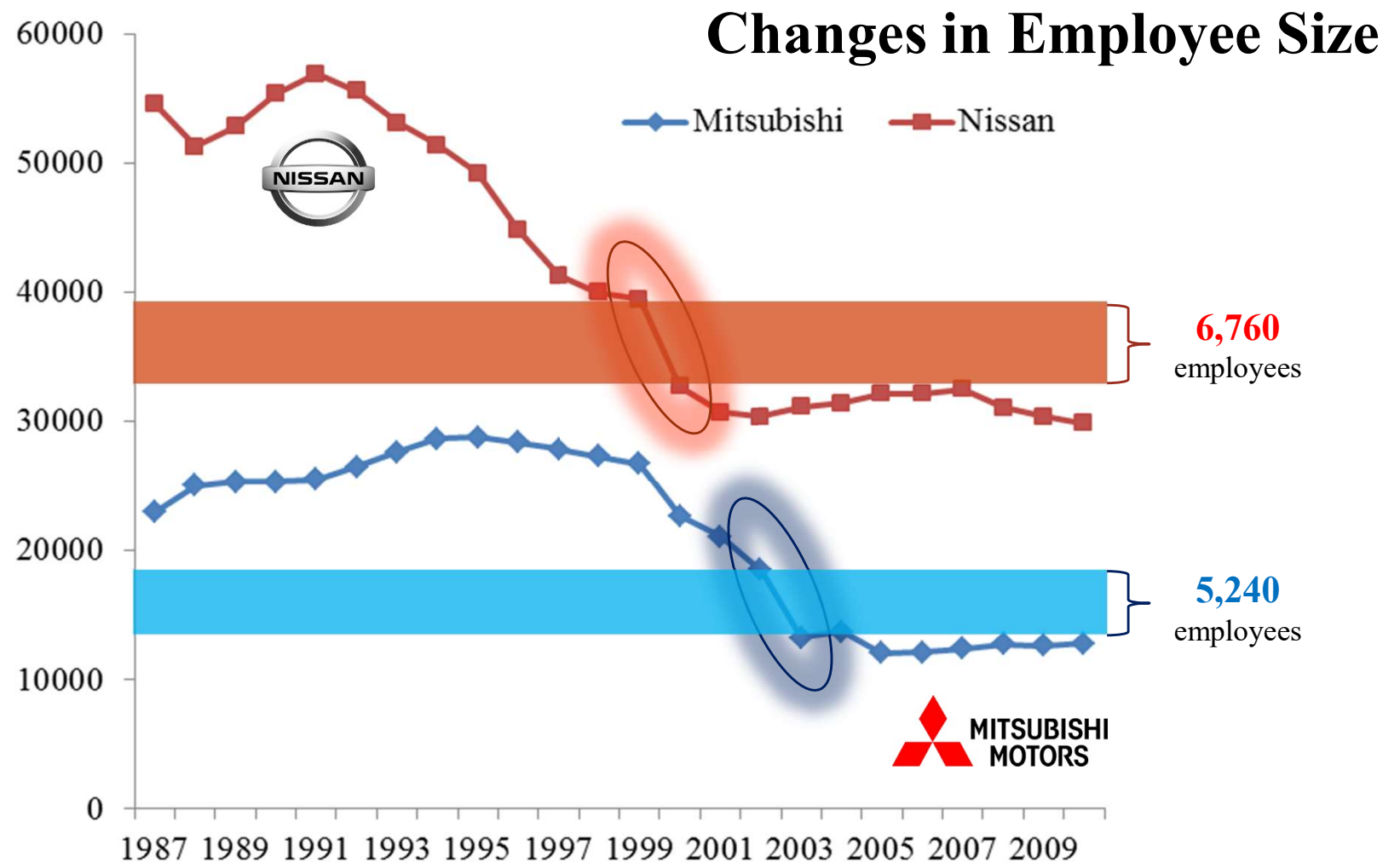


Profit (US\$ million)



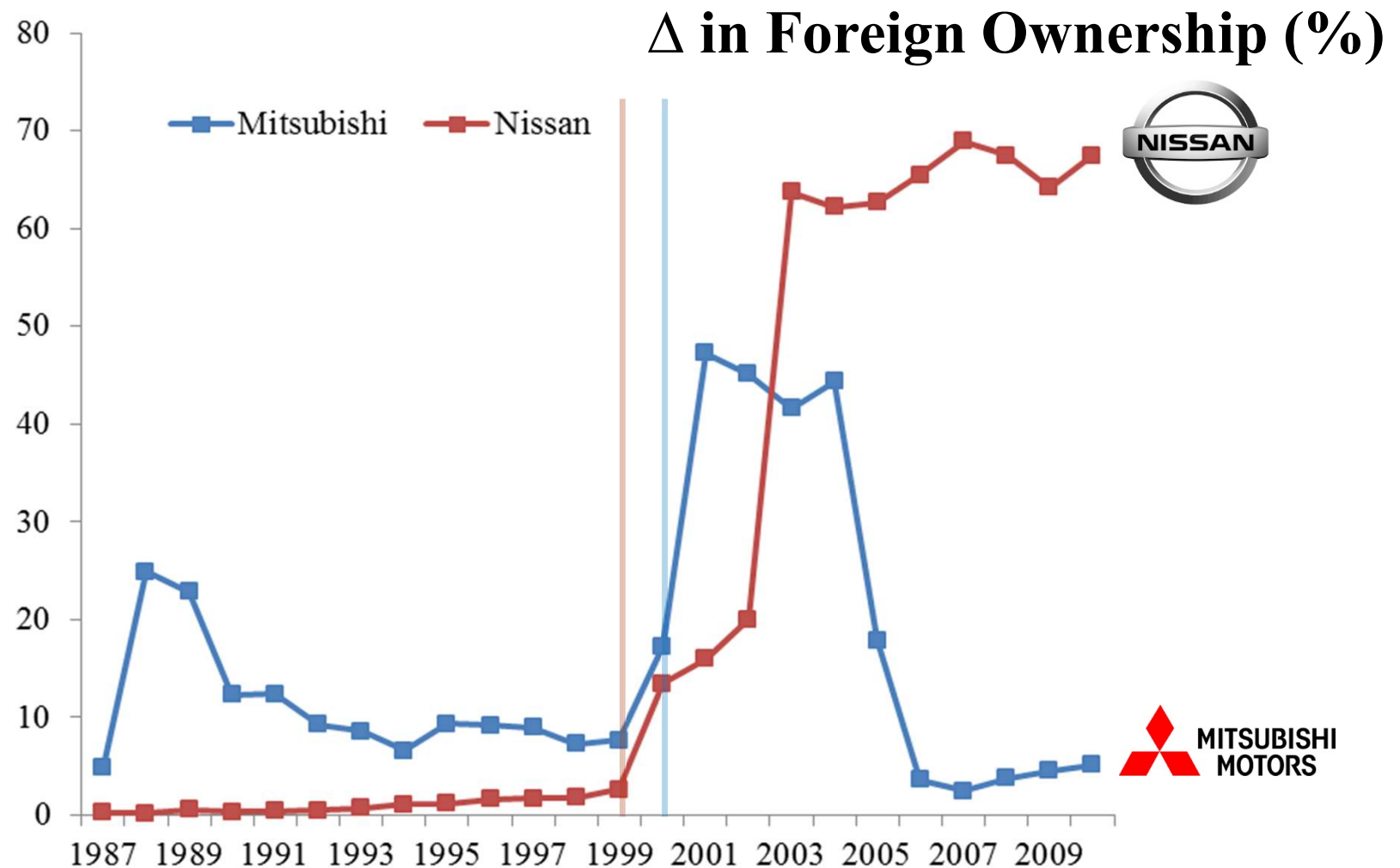
Source: Own illustration based on various sources.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



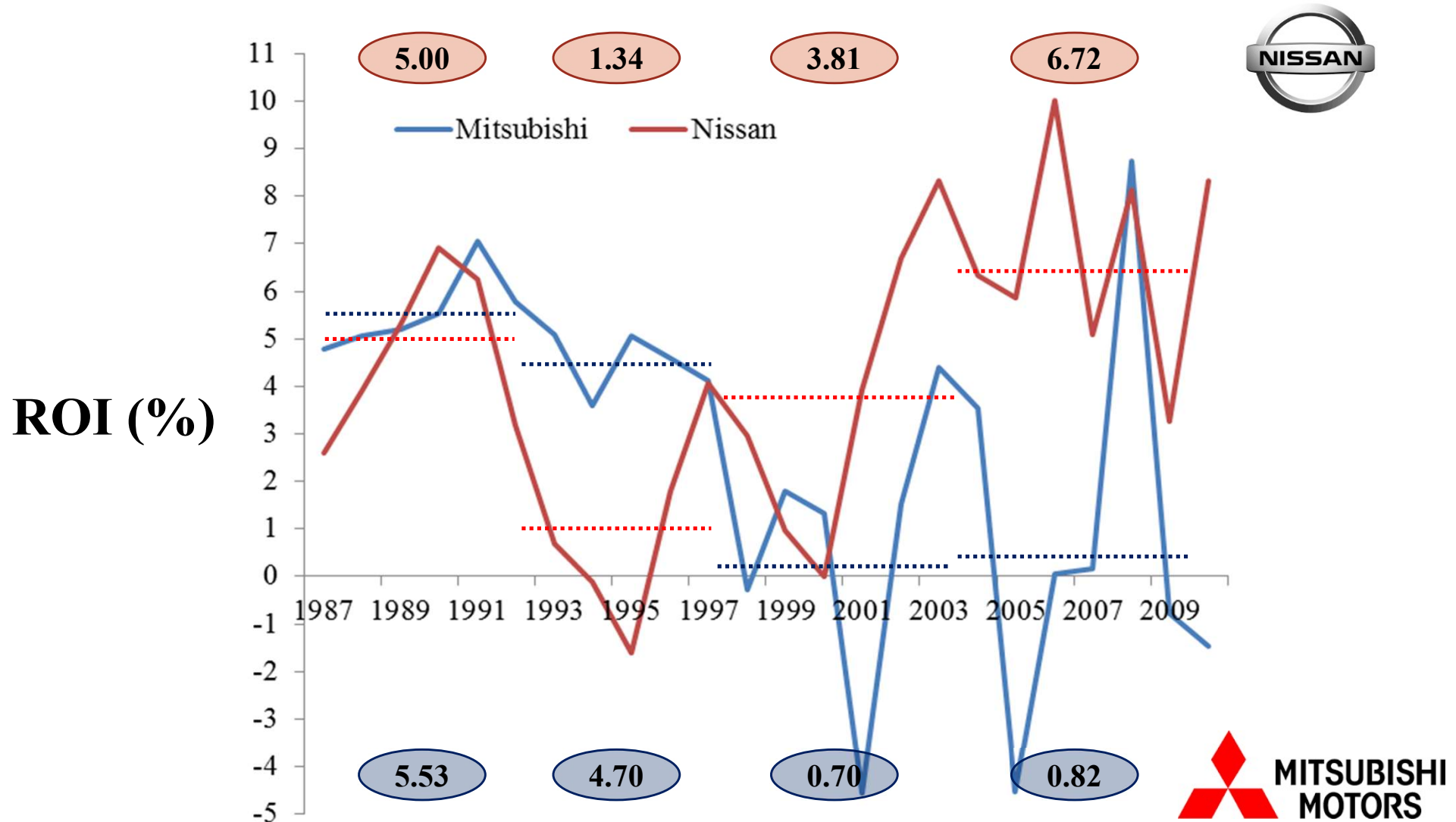
Source: Own illustration based on NEEDS.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Source: Own illustration based on NEEDS.

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Source: Own illustration based on NEEDS.



■ Questions

- I. **WHAT** were the relative & combined effects of **national & organizational cultures** on the performance of Nissan & Mitsubishi?
- II. **HOW** did **Carlos Ghosn** & **Ralf Eckrodt** influence **HRM practices** in Nissan & Mitsubishi, respectively?
- III. **WHY** was **Carlos Ghosn**'s transformation of Nissan **successful** while **Ralf Eckrodt**'s efforts were **unsuccessful**?

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Overview of the '2' Acquisitions

	Renault-Nissan	DaimlerChrysler-Mitsubishi
HQs of acquirer	France	Germany-USA
Acquired stake	37%, later increased to 44%	34%
Financial strength of acquirer	Medium	Medium to high
Financial situation of target	Distressed	Distressed
Motives of acquisition	Global expansion, acquiring technologies	Global expansion, acquiring technologies
Outcome	Success	Failure, divestment

Source: Froese & Goeritz (2007).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Organizational Change & Leader Authenticity

Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures		
Changes in HRM practices		
Approaches to implementing teams		

Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness		
Balanced-processing		
Transparency		
Ethical/moral conduct		

Source: Froese & Goeritz (2007).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures	<ul style="list-style-type: none"> • Reduce production capacity by closing down 5 factories. • Breakup of <i>kreiretsu</i> supplier systems. 	<ul style="list-style-type: none"> • Cut material costs by 15%. • Reduce the number of platforms by 50%. • Close down a factory. • Dump inefficient suppliers. • Selling assets.
Changes in HRM practices	<ul style="list-style-type: none"> • Performance-based incentive. • New hire at higher entry salaries. • Hiring employees in alignment with change vision. • Promotion based on change vision. 	<ul style="list-style-type: none"> • Elimination of promotion based on seniority. • Breaking with Japanese norms of lifelong employment. • Appointment of new, young German executives.
Approaches to implementing teams	<ul style="list-style-type: none"> • Cross-company teams (CCTs). • Cross-functional teams (CFTs). • Engagement in frequent meetings with CFTs & management. 	<ul style="list-style-type: none"> • Several small CCTs, but with uncertainty of responsibility. • No Japanese executive was involved in top management decisions.

Source: Gill (2012).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness	<ul style="list-style-type: none"> Ghosn was aware how his actions would impact on employees. Understanding that Nissan employees would see him as an outsider. 	<ul style="list-style-type: none"> Eckrodt misread yes as “I heard you” > “I agree”. He falsely assumed that Mitsubishi managers were committed to the changes he was trying to make.
Balanced-processing	<ul style="list-style-type: none"> Ghosn was friendly & wanted to talk to people & learn. Ghosn ensured that a wide range of voices were heard. 	<ul style="list-style-type: none"> Eckrodt failed to gather information, including employee passive resistance.
Transparency	<ul style="list-style-type: none"> Ghosn spoke openly about problems & results. Worth hearing dissension. Communication with the press. 	<ul style="list-style-type: none"> Eckrodt seldom gave interviews. Eckrodt failed to generate the trust required for change.
Ethical/moral conduct	<ul style="list-style-type: none"> Ghosn’s words & actions were consistent; <u>role model/clear strategy/rigorous execution</u>. 	<ul style="list-style-type: none"> Plans were not consistently executed; <u>too laid back & informal</u>; <u>marionettes</u> by HQs.

Source: Gill (2012).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Summary of Human Integration

	Renault-Nissan	DaimlerChrysler-Mitsubishi
Leadership	Well-defined objectives.	Unclear objectives.
Communication	Information flow at all levels.	Often restricted to top level.
Participation	Cross-company & cross-functional groups initiated changes	Some task forces, but without execution.
Sense of urgency	Created.	Assumed, not actively created.
Commitment	High levels of ommitment & accountability.	Unclear.
Human integration	Achieved.	Not achieved.

Source: Froese & Goeritz (2007: 105).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



■ Summary of Organizational Integration

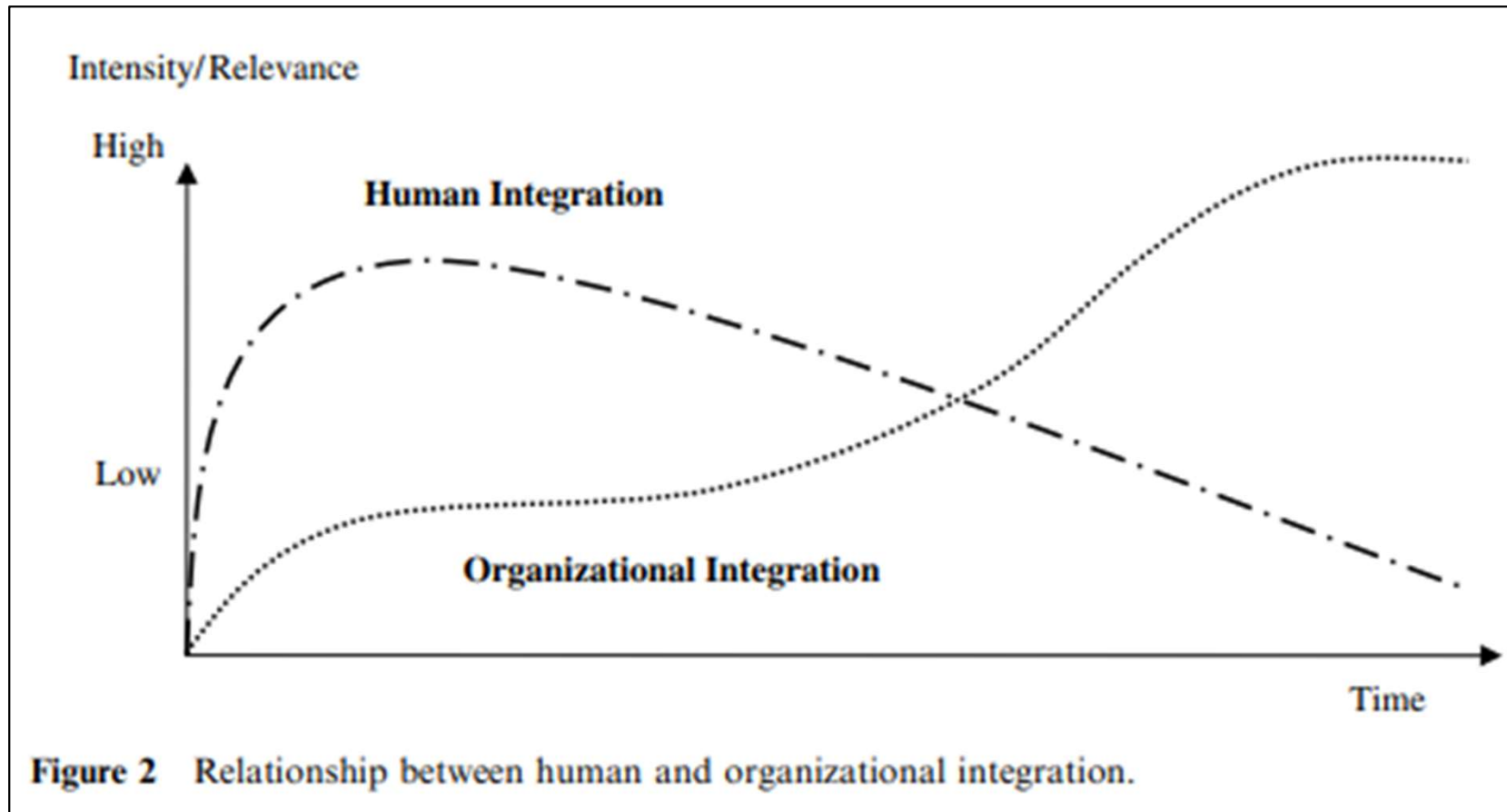
	Renault-Nissan	DaimlerChrysler-Mitsubishi
Intended level of integration	High.	High.
Speed	High.	Intended to be high.
<i>Keiretsu</i>	No.	Strong <i>keiretsu</i> .
Autonomy	Yes.	Limited, decisions needed approval of Headquarters.
Employee resistance	Overcome.	Persisted.
Organizational integration	Achieved.	Not achieved.

Source: Froese & Goeritz (2007: 107).

Renault-Nissan vs. DaimlerChrysler-Mitsubishi



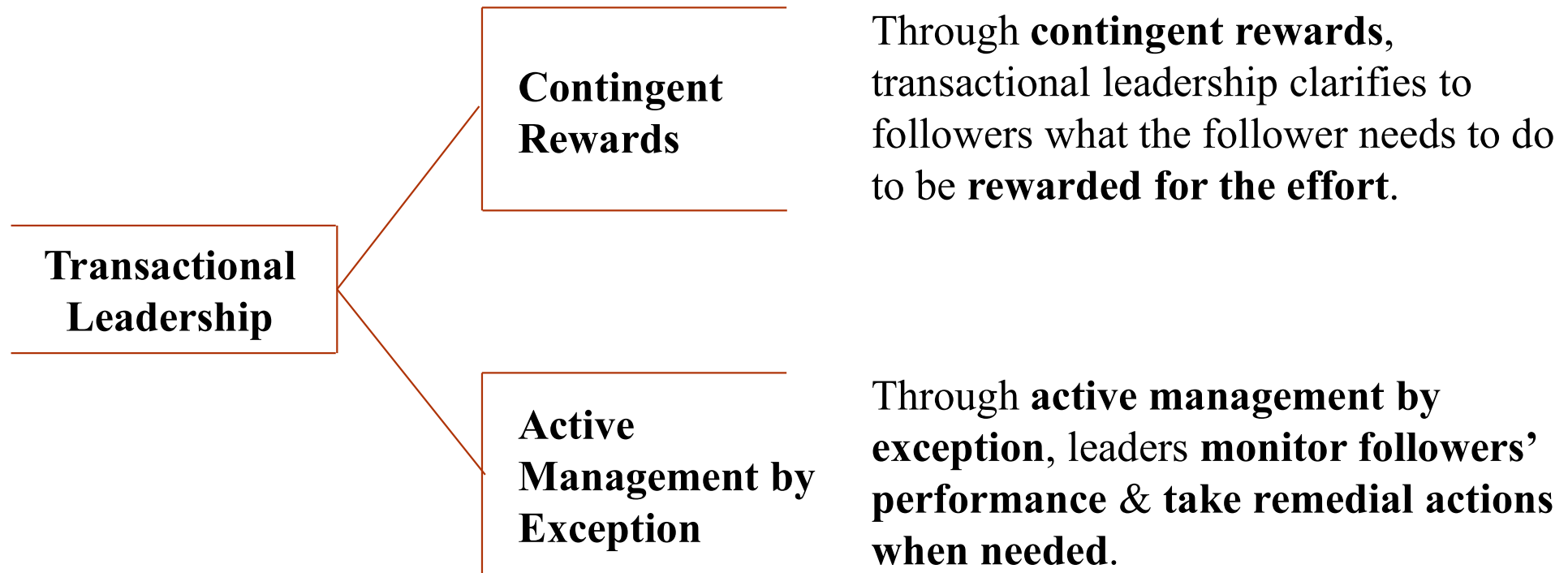
■ Human & Organizational Integration



Source: Froese & Goeritz (2007).



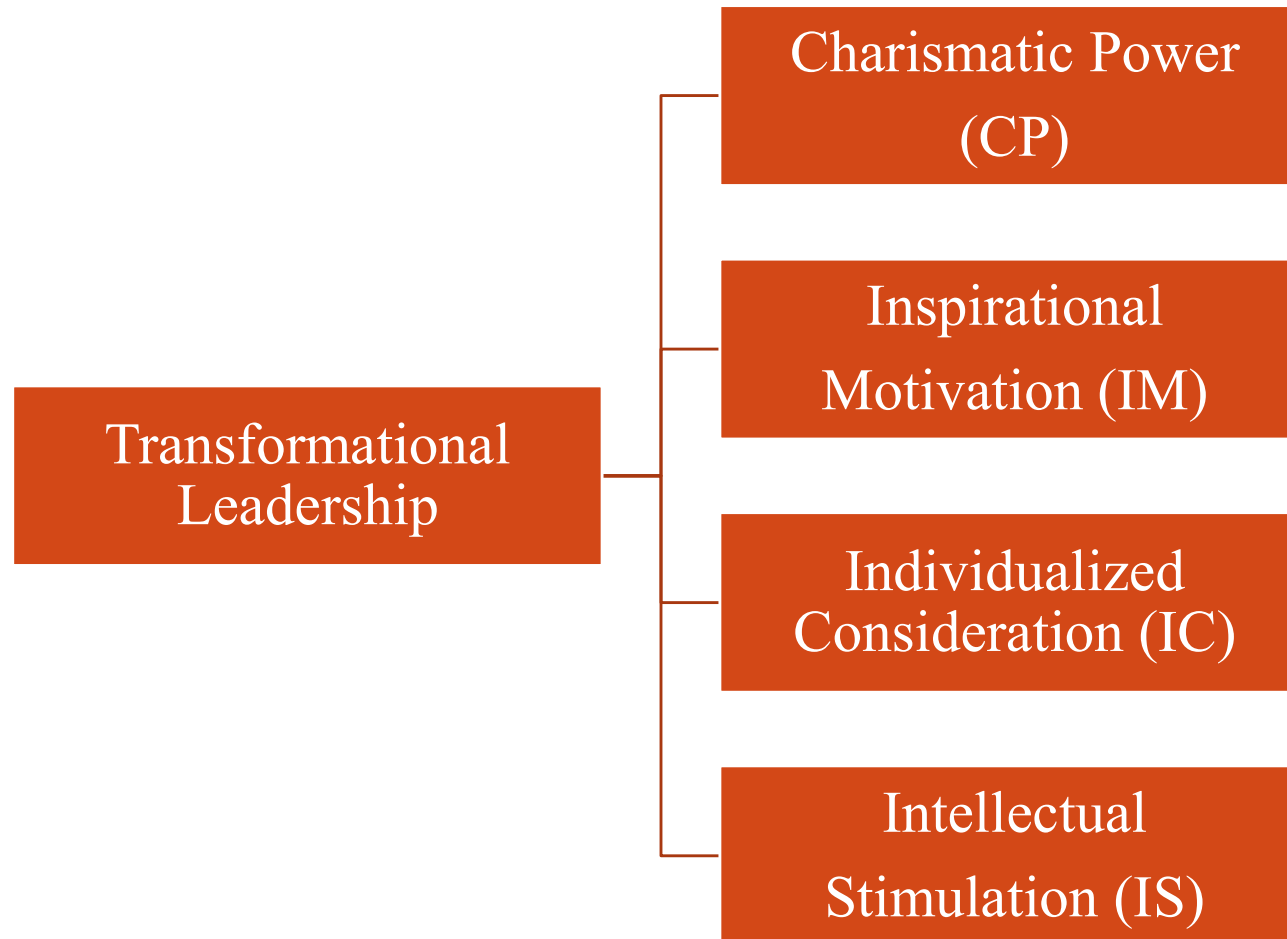
■ Transactional Leadership



Source: Avolio et al. (1999).



■ Transformational Leaders



Nayak, A. (2019).
“Bharti Airtel Acquires Resources & Companies”.

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Bharti Airtel Acquires Resources & Companies

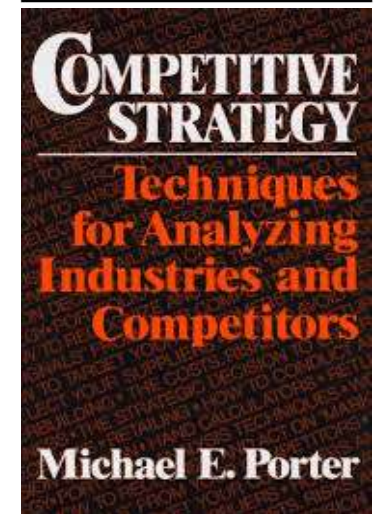
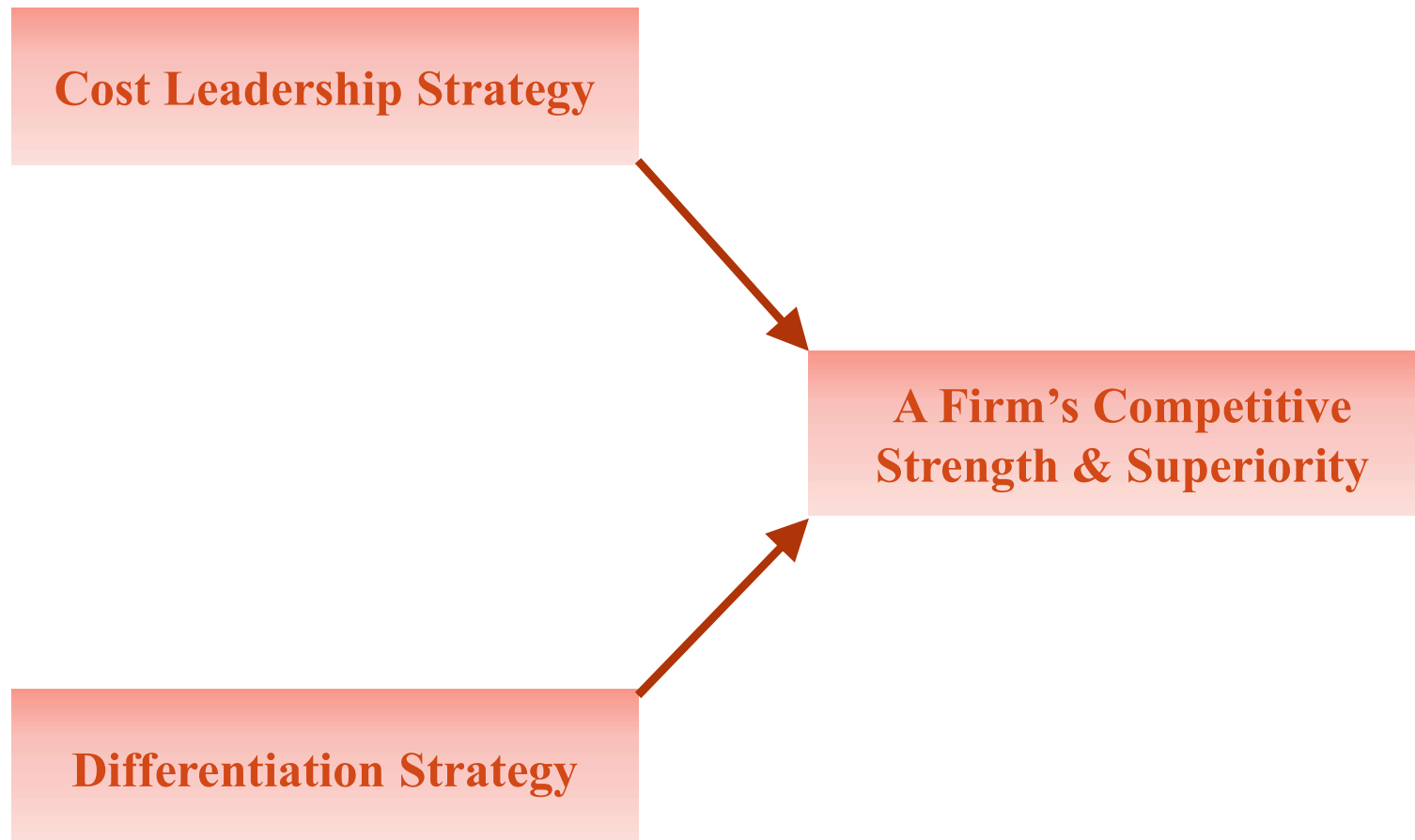


■ Discussion Points

- ❖ From **a resource-based view** of the firm, what are **Bharti Airtel's main resources**? How were these resources built, & how do they shape its ongoing path of growth?
- ❖ From **an institution-based view** of the firm, how are the **challenges of entering emerging economies** (Bangladesh & Africa) different from entry in Western European economies?
- ❖ Compare **Bharti Airtel's approach to internationalization** with that of **European MNCs**. To what extent is **Bharti Airtel's model** unique to emerging economy MNCs?
- ❖ What are the **implications of the rise of emerging economy MNCs** (Bharti Airtel) for globalization?



■ Porter's Generic Strategic Model



Bharti Airtel Acquires Resources & Companies



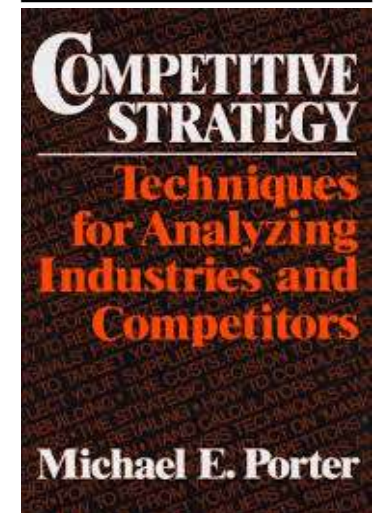
■ Porter's Generic Strategic Model

Cost Leadership Strategy

- ❖ The “*aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions..., & cost minimization in [various] areas*” (Porter, 1980:35).
- ❖ Low cost positions lead to **above-average returns** due to a lower price.
- ❖ **WHAT** makes it possible to be successfully achieved?
 - Scale economies
 - Value chain systems
 - Inter-firm cooperation



A Firm's Competitive Strength & Superiority



Bharti Airtel Acquires Resources & Companies

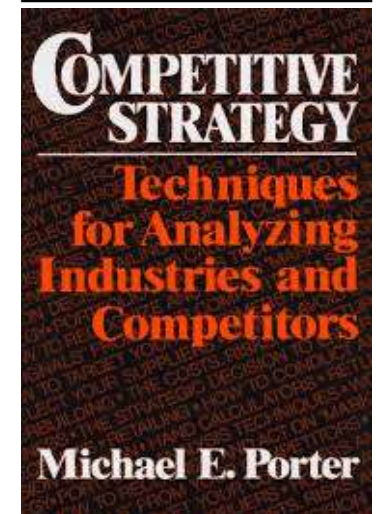


■ Porter's Generic Strategic Model

- ❖ **Superior service, innovative features, strong brand names, effective promotion programs, unique image**
- ❖ ... achieves high levels of **customer loyalty & satisfaction**.
- ❖ **A unique image** enables the firm to attract **new customers & introduce new products**.
- ❖ **How?** Labor quality, high-quality materials & components, low defect rates, efficient production methods & sophisticated production facilities.
- ✓ **Brand:** Harley Davidson & Mercedes Benz.
- ✓ **Positioning:** Domino Pizza. “30 minutes delivery”.
- ✓ **Technology:** Apple.
- ✓ **Insurance Policy:** Hyundai.

Differentiation Strategy

A Firm's Competitive Strength & Superiority

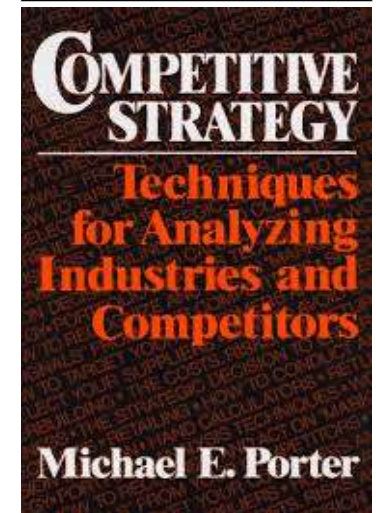




■ Porter's Generic Strategic Model

❖ Risks Involving Cost Leadership Strategy

- (1) **Technological changes** result in wasting previous investments & knowledge accumulation.
- (2) **Rapid changes in customer tastes** damage cost leadership positions.
- (3) Cost leadership positions may be **threatened by competitors' pursuit of scale economies by imitating your products & expanding sales capacity.**

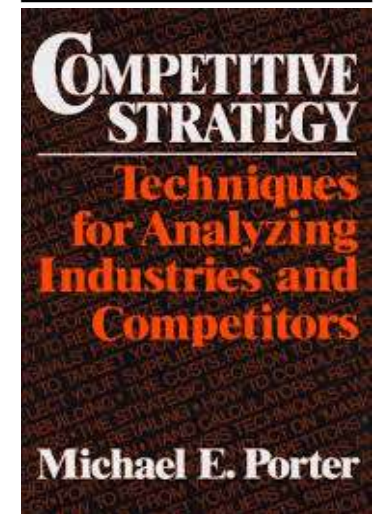




■ Porter's Generic Strategic Model

❖ Risks Involving Differentiation Strategy

- (1) It requires a lot of investments in R&D & advertisement campaigns, for instance.
- (2) Buyers may stop thinking your products as unique, although you are trying to differentiate your products from those offered by your competitors. You may have achieved a differentiation strategy in the past, but risks may arise once you are satisfied with your differentiation positions without knowing rapid changes in market & technology conditions.
 - In order to handle this problem, your company must reinvest in consolidating your differentiation positions.





■ Why Does Board Internationalization Matter?

- ❖ ... represents a “step” forward in a firm’s globalization process (Oxelheim & Randøy, 2003).
- ❖ Foreign directors usually possess the **necessary knowledge & contacts in foreign markets** to link the firm to the **different contexts** of the countries in which it operates (Carpenter et al., 2001).
- ❖ Foreign directors extend to the provision of **managerial expertise & technical collaborations** → **creativity & innovation** (↑) (García-Meca et al., 2015).
- ❖ ... enable the **gathering, analysis, & interpretation of information** on **global market opportunities** (Barroso et al., 2011).
- ❖ ... will have a **more open-minded attitude** towards **other cultures** (Barroso et al., 2011).

Bharti Airtel Acquires Resources & Companies



■ Stellantis: Board Internationalization



Celly (2018).
“Eli Lilly in India: Rethinking the Joint Venture Strategy”.

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“Eli Lilly in India”



■ Discussion Points

- ❖ Characterize the **global pharmaceutical industry** in the **1990s** & interpret **Exhibit 1**. Discuss the characteristics of the **Indian pharmaceutical industry** in the **1990s**.
- ❖ **Describe & evaluate** (1) **Eli Lilly & Company** & (2) **Ranbaxy Laboratories** in terms of internationalization, business lines, & sources of competitive advantages.
- ❖ Clarify the underlying **rationale** behind the **success** of the **Lilly & Ranbaxy JV**.
- ❖ Interpret **Exhibits 5, 6, & 7** in greater details.
- ❖ What **practical suggestions** can be drawn from this case?



■ The Global Pharmaceutical Industry in the 1990s

- ❖ **Markets:** Concentration in North America, Europe & Japan.
- ❖ **Market Share:** Top 4 firms (20% of sales) / Top 20 firms (50-60% of sales) / Top 50 firms (65-70 % of sales).
- ❖ **Required Investment:** Drug discovery is an expensive process, with leading firms spending more than 20% of their sales on R&D.
- ❖ **Duration & Cost of New Drug Discovery:** 10-12 years & US\$500 million to US\$800 million.
- ❖ **Stakeholders:** Physicians, customers, government agencies.
- ❖ **Regulations:** (1) FDA(US), (2) CPMP (Europe), & (3) MHW (Japan).



■ The Global Pharmaceutical Industry in the 1990s

❖ Patents? Why Patents Important?

- To **protect its proprietary knowledge**.
- The safety provided by the patents allows firms **price their products appropriately** in order to accumulate funds for future research.
- To guarantee the **exclusive legal right** to profit from its innovation for **typically 20 years** for a product patent.
- A **time lag of 8-10 years** exist from the time the patent is obtained to the time of regulatory approval to first launch in the US or Europe.
- **2 types of patents: The “*product patent*” (chemical substance) & the “*process patent*” (method).** – Both patents guarantee the inventor **a 20-year monopoly** on the innovation.
- Companies are **hesitant to invest in countries** where the **intellectual property regime is weak**.



■ The Indian Pharmaceutical Industry in the 1990s

❖ Something Happened in the 1970s in India?

- **Changes in the intellectual property regime** – Drugs became available more cheaply & local firms were encouraged to make copies of drugs by developing their own processes.
- **The Patents Act 1970: Abolished** the product patents for all

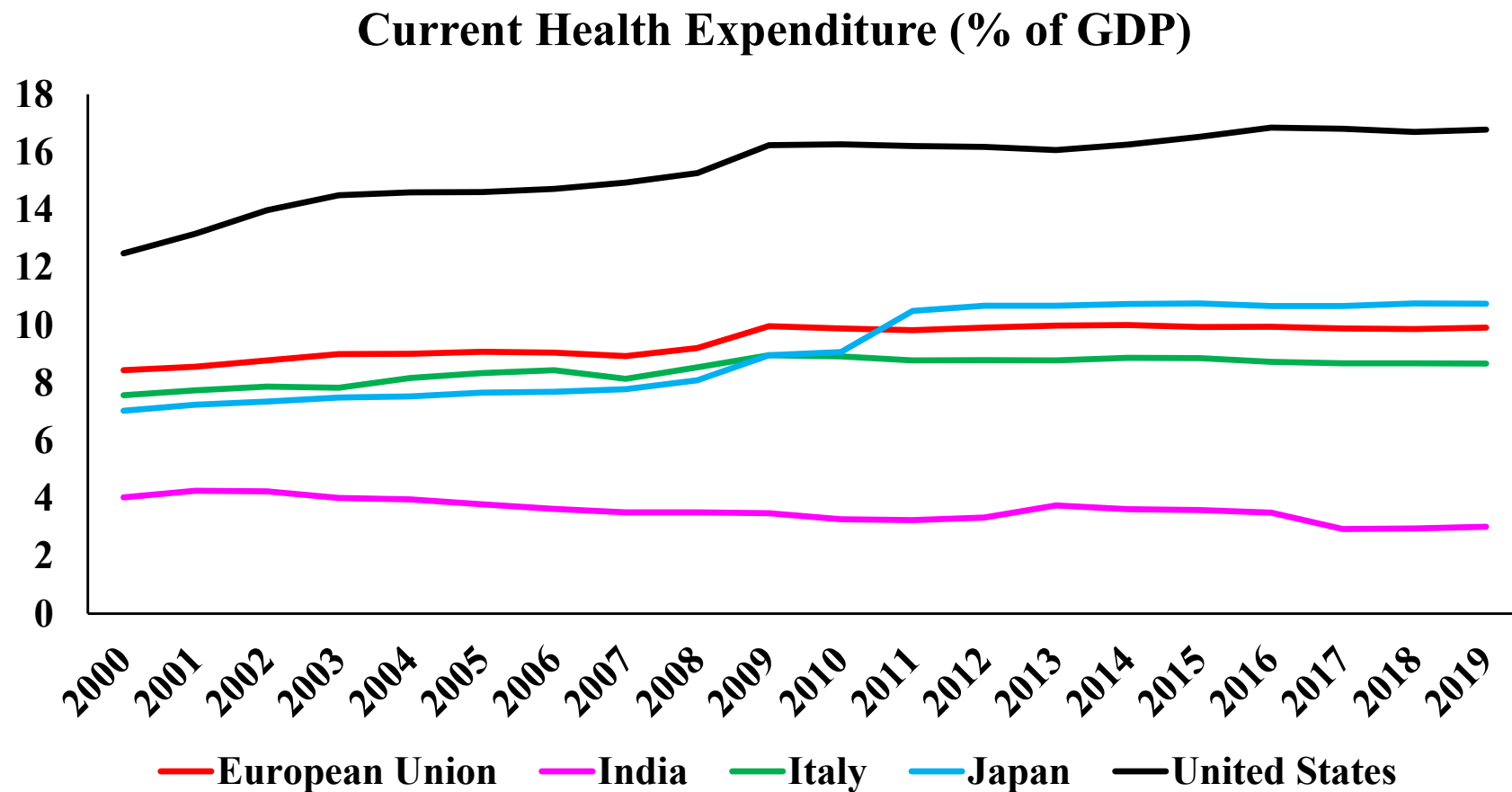
Institutional changes in the Indian pharmaceutical market

- **The Drug Price Control Order: Price controls for all drugs.**
- The emergence of local manufacturing companies & the departure of many MNC subsidiaries due to (1) **reduced price**, (2) **more local competition** & (3) the **lack of patent protection** in India.
- Departure from **import substitution** to an **export-driven** economy.
- **Foreign ownership requirements:** The maximum limit of foreign ownership to **51%** (from 40%) in the pharmaceutical industry.

“Eli Lilly in India”



■ The Indian Pharmaceutical Industry



Source: Own illustration based on the World Bank.



■ Company Profiles

❖ Eli Lilly & Company (Est. 1876)

- **Location:** The US from the early 1940s until 1985.
- **Mission:** A commitment to scientific & managerial excellence.
- **Internationalization Patterns:** Exporting (before 1950s) – Setting up several affiliates overseas (in the 1950s) – manufactured & distributed through 25 countries & sold in more than 130 countries (by 1992).
- **Business Lines:** (1) Oral & injectable antibiotics & (2) insulin & related diabetic care products.
- **Motives for Global Expansion:** (1) Market-seeking & (2) opportunities to use the world for clinical testing – Lilly’s marketing strategy.
- **Business Strategy:** Innovation & discovery.



■ Company Profiles

❖ Ranbaxy Laboratories (Est. 1960s)

- **Type:** **Family business.**
- **Location:** The leading domestic pharmaceutical firm in India, founded by **Dr. Signh** – Ph.D from the Uni. of Michigan (US).
- **Mission:** To become a research-based international pharmaceutical company.
- **Core Competencies:** (1) **Chemical synthesis capability** & (2) **cost advantages** (50%-75% lower than those of comparable US plants).
- **Internationalization Patterns:** A presence in **47 markets** outside India through exports handled by an international division.
- **R&D Intensity:** **2-5%** of the annual sales (Future targets of **7-8%**).
- **Business Strategy:** Focus on the **generic business.**

“Eli Lilly in India”

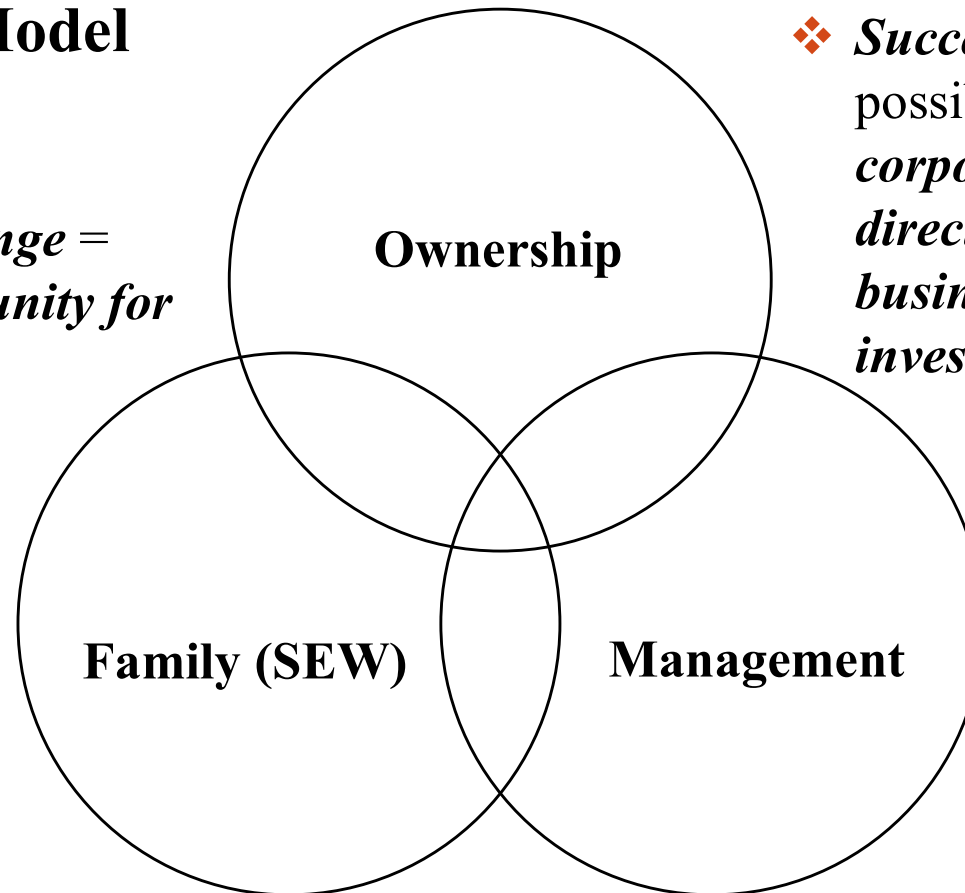


■ Company Profiles

❖ 3 Circle Model

KEY POINTS

- ❖ *Generational change = Threats & opportunity for bold changes.*



KEY POINTS

- ❖ *Generations → EO (↑ ↓ ??)*
- ❖ *Successors' quality → The possibility of (1) **reshaping corporate visions & strategic directions**, (2) **reforming business portfolios**, & (3) **investing in new markets**.*

Source: Davis, Hampton, & Lansberg. (1997). *Generation to Generation: Life Cycles of the Family Business*. Harvard Business Press.

“Eli Lilly in India”



■ Why the Lilly & Ranbaxy JV Successful?

❖ The Lilly & Ranbaxy JV (Est. 1992)

- **Lilly’s Name:** Not known among most physicians in India – a lack of legitimacy & reputation.
 - **JV’s name:** Lilly Ranbaxy (The image of foreign products – “good quality”).
- **How Ranbaxy Helped Lilly?**
 - Government approvals, licenses, distribution & supplies.
 - Distribution networks.
- **The Pharmaceutical Industry in India?**
 - High turnover rates.
 - Very unionized.

“Eli Lilly in India”



■ Why the Lilly & Ranbaxy JV Successful?

❖ The Lilly & Ranbaxy JV (Est. 1992)

- **Lilly’s Value as a Source of Competitive Advantage.**
 - **A code of ethical conduct: The Red Book – Tell the truth:** Both the positive & negative aspects of their drugs.
 - **No lies or no make up something.**
 - **Honesty & integrity.**
- **Success Factors of the JV between Lilly & Ranbaxy?**
 - The **strong & cohesive ties** between Mascarenhas & Gulati.
 - **Identities** to the JV.
 - **No Ranbaxy vs. Lilly politics.**
 - Build on **personal relationships.**
 - **Communication.**

“Eli Lilly in India”



■ Assess Eli Lilly-Ranbaxy India Financials (1998-2001).

Exhibit 5

Eli Lilly-Ranbaxy India Financials 1998 to 2001 (Rs'000s)

	1998–1999	1999–2000	2000–2001
Sales	559,766	632,188	876,266
Marketing Expenses	37,302	61,366	96,854
Other Expenses	157,907	180,364	254,822
Profit after Tax	5,898	12,301	11,999
Current Assets	272,635	353,077	466,738
Current Liabilities	239,664	297,140	471,635
Total Assets	303,254	386,832	516,241
No. of Employees	358	419	460
Exchange Rate (Rupees/US\$)	42.6	43.5	46.8

Note: Financial year runs from April 1 to March 31.

Source: Company Reports.

Source: Celly (2018: 387).

Hubbard, N. (2013).
“Fast Retailing & Lotte”.

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“Fast Retailing & Lotte”

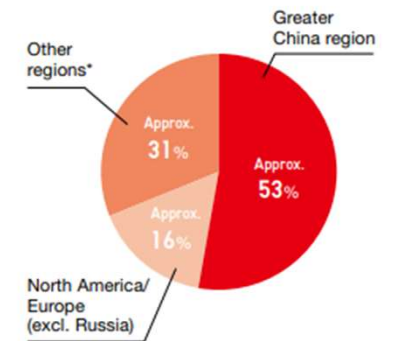


■ Fast Retailing

UNIQLO International Sales by Region (FY2022)

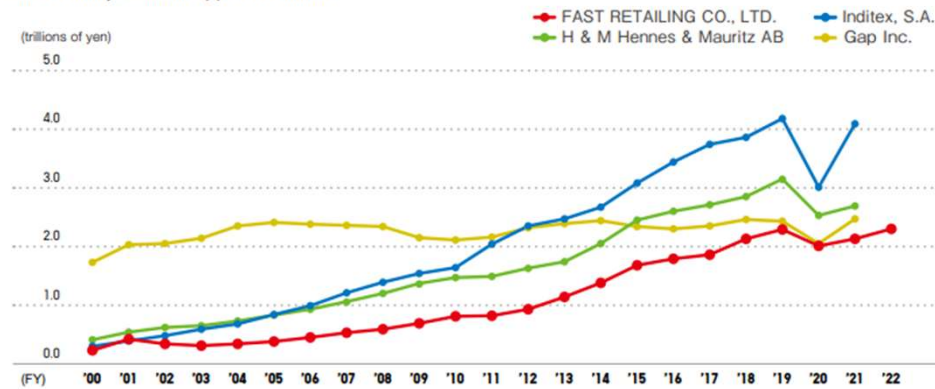


UNIQLO International Operating Profit by Region (FY2022)



Q. Please explain the core discussion of the case of FR & Lotte.

Sales of Major Global Apparel Retailers



*Compiled from individual annual report data and calculated using exchange rates as of end of October 2022. (US \$1=¥148.3, 1EUR=¥147.6, 1SKE=¥13.5)



Source: Fast Retailing Integrated Report 2022.

“Fast Retailing & Lotte”



■ Key Points

- ❖ **FR’s staged equity approach** to acquiring **Theory** in the US.
 - A minority stake in **Theory** in **2004** → Full control in **2009**.
- ❖ Entering the fast-growing & lucrative **South Korean market** via a **JV** with **Lotte** (South Korean retail developer).
- ❖ **Lotte’s rich experience of multiple JVs projects** (e.g., IMAX).
- ❖ **What drove FR & Lotte’s JV to be successful?**
 - **Extensive talks** between **senior management teams**.
 - **Face-to-face interactions** on a **quarterly basis** at the **highest level**.
 - **Intensive trainings** to understand FR’s **operational processes & unique organizational culture** → **Partner knowledge** (↑)
 - **Mutual trust, mutual understanding, & mutual commitment**.
- ❖ **A win-win relationship building over many years.**
 - FR (local brand recognition / locations) & Lotte (excellent tenants).

Hubbard, N. (2013).
“Teva Pharmaceuticals”.

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■ Discussion Points

- ❖ What are possible ways to calculate the **degree, intensity, & depth of firm internationalization** in general? Assess the **level of Teva’s Pharmaceuticals’ internationalization**.
- ❖ What is **Teva’s Pharmaceuticals’ main FDI strategy**?
- ❖ The author argues that it is inevitable for foreign firms to investigate the **unique characteristics of the Japanese pharmaceutical market**. Any specific examples?
- ❖ What are possible **managerial implications**?



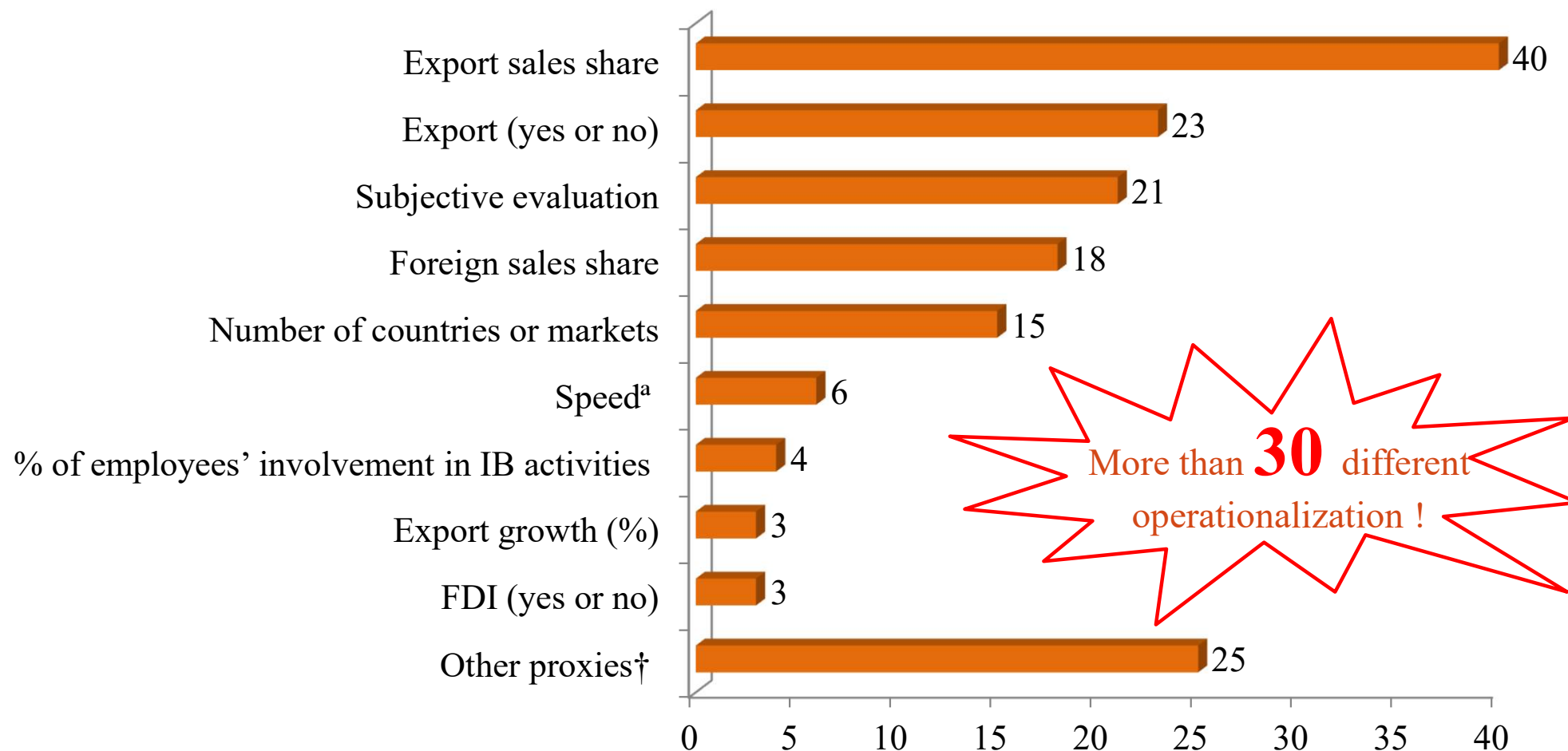
■ Significance of ‘International Management’

- ❖ ‘*International*’, ‘*global*’, ‘*multinational*’ ... in mass medias.
- ❖ Universities put an emphasis on nurturing ‘*global human capital*’ - language education, study & internship abroad programs etc.
- ❖ Number of foreign subsidiaries (↑), foreign sales-to-total sales ratio (↑), foreign assets-to-total assets ratio (↑)
- ❖ Number of foreign businesses (↑) = the number of home-country nationals living abroad (↑)
- ❖ The **Italian market**: 60 millions people (**Only 0.78%**)
 - (1) The growth potential is limited; (2) the growth of the domestic consumer market has peaked; & (3) the relocation of production bases to foreign markets speeds up etc. → **Italian MNCs** have no choice but to seek overseas markets if they achieve further business growth.

“Teva Pharmaceuticals”



■ Main Variables Studied in IB Research



Note: ^a Establishment year minus initial year. [†] 23 other indicators available.

Reading Assignments



■ WEEK 6-2 (25.03.2025 | Tuesday)

- ❖ “*Teva Pharmaceuticals*” & “*Fast Retailing & Lotte*”.
- ❖ “*Eli Lilly in India: Rethinking the Joint Venture Strategy*”.

→ Sum up the key argument using one specific framework.

■ WEEK 6-3 (26.03.2025 | Wednesday)

- ❖ Kawai & Chung (2019). “Expatriate Utilization, Subsidiary Knowledge Creation & Performance: The Moderating Role of Subsidiary Strategic Context”, *Journal of World Business*.
- ❖ “*Kent Chemical: Organizing for International Growth*”.
- ❖ “*Lundbeck Korea: Managing an International Growth Engine*”.

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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