



When Three's a Crowd: How to Upset a Good Partnership

The French state's intrusion into Renault-Nissan may upset a very strong alliance.

Renault has emerged bruised and pondering its next move after it failed to achieve a two-thirds majority at a recent shareholder meeting to opt out of France's new Florange law, which says that after March 2016, listed French firms must grant double voting rights to investors who have held shares for at least two years.

Renault is particularly worried about the impact this could have on its alliance with Nissan and the company's CEO Carlos Ghosn has tried to fight it. While the law is designed to counter short-termism and encourage long-term investments, it disproportionately benefits the French government, which has a 19.7 percent stake. The story is complicated by recent manoeuvres by the Economy Minister, Emmanuel Macron, who raised the government's stake from 15 percent in April to try to block Renault's attempt to opt out of the law, which succeeded.

That is a big power grab in a nation that has large state shareholdings of many companies. The French government has assured managers and other owners that their intentions are purely beneficial and they do not intend to discriminate against others. The very existence of the law, and past French economy minister behaviour against firms, place that assurance very much in doubt.

“Ménage à trois” or “three's a crowd”?

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This also has implications for the alliance of Renault-Nissan. The alliance is famous as one of the few very successful cross-border alliances of large firms. It started more or less as a rescue of Nissan, which was in bigger trouble than Renault when it was initiated, though neither firm was healthy. As a result, both firms own a portion of each other and Renault has voting shares over Nissan but not the other way around. And what started as a rescue led to very significant success and growth. Now Nissan has double the car sales of Renault.

Ghosn has made big personal investments in making the alliance work, and has drawn much credit for its success. He reacted quickly against the new law through seeking to make a special Renault exemption from it (this is legal), as well as speaking publicly against the law. No doubt he is doing this because Nissan enjoys its relation with Renault but does not trust the French state. Indeed, he has been supported by his board of directors, as well as from the Nissan board of directors. He had initially looked like he would be able to get a majority of Renault stockholders to vote for the exception.

Macron economics

And now I need to bring the French state manoeuvres back into the story. The Economy Minister, Emmanuel Macron, who arranged to buy a substantial share of Renault stock and to have

options to sell them after the shareholder meeting, has made France an even more important shareholder in Renault.

Could this have implications for the alliance? As long as France does not intervene much, it is likely that it will go on as before because Renault and Nissan are still useful to each other. But if there are problems, things could change dramatically because Nissan actually needs Renault much less now than before. The main problem would be that Renault owns so much of Nissan that getting away from Renault would be hard. It is easy to see ways that this change in power will cause problems, and much harder to see any benefits to the alliance, or to France.

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