

INFALLIBILITY OF RATAN TATA: A CASE STUDY OF TATA GROUP OF INDUSTRIES

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Abstract

The Tata Group from India remains acclaimed as one of the strongest and utmost admired establishments around the globe. The Tata Group and its more than 100 businesses operating and more than 28 subsidiaries have exhibited to uphold social responsibility successfully as well as a highly rewarding financial performance for more than 100 years. The tata group has quite a compelling structure of ownership. Their main holding company Tata Sons Limited has been majorly owned by charitable trusts. This paper examines how the governance of the Tata group makes it different and better than other establishments in our country. The Tata Trusts owns a whopping 66% of the entire Tata Sons, which is the most important holding company of this big Group, whereas the founding family members of the Tata group, have a very small shareholding. The differentiating factor of the group's governance structure is a good managerial distance between the Group companies and the trust. Tata Trusts essentially focuses on its philanthropy, and as per the Tata Sons, Articles of Association, their governance role is confined to providing the selection committee with two nominations, which then recommends the Chairman of the firm's Board of Directors. With Ratan Tata Chairing the trust, the companies of this group are managed independently. Other important cross-shareholdings also do exist in the group. Natrajan Chandrasekaran is the chairman of Tata Sons. Trustees in the major Trusts paid nominal fees of as little as \$10 and \$20 a year.

KEYWORDS: Ratan Tata, Tata Group, Leadership, India, Tata Sons

Introduction

Ratan Tata's career started in 1962 from being an apprentice at Tata Steel and then raising to its chairmanship in 1991. At the dawn of liberalization, privatization, and globalization in 1991, the iconic Tata group was structuring its new successor as Ratan Tata. Even the top management and close associates of JRD Tata did not have the least clue regarding this development. At that juncture, the new chairman, Ratan Tata held no inspirational stories that could impress his superiors. But at the same time, no one doubted this wise decision at the end of JRD Tata, therefore bright innings of Ratan Tata began at the Tata Group. In his initial years, as the chairman, he was challenged with establishing his authority as the chairman as well as heightening the group's efficiency as a whole and not as an independent company. Ratan Tata's strategic vision of consolidating the Tata Group's position and ingraining competitiveness by promoting the culture of pursuing innovations as well as increasing its operational efficiency. The

group companies' structure was also entirely changed to avoid unfriendly takeovers and make the main holding company, even more powerful. The fortunes of Tata Group multiplied under Ratan Tata's chairmanship, with a spectacular rise in their brand equity and market share.

Objectives of the Paper

- Determine the story of the Tata Group.
- Determine the successful journey of Ratan Tata.
- Determine the strategies taken up by Ratan Tata to transform the Tata Group.

Research Methodology

The process used to conduct research is referred to as "research methodology. It describes the nature of the study, the method of data collection, and the tools used to analyze the data. This paper is descriptive because it describes the current situation and study features. It aids in the reduction of bias and increases the reliability of data in research. In the paper, secondary data is used. Data was gathered from journals, research papers, periodicals, published reports, various websites, etc.

The Tata Story

The Tata Group was founded by Jamsetji Nusserwanji Tata, who began trading in 1868. In 1874, the organization began producing (textiles), and in 1904, it began providing services (hotels). Jamsetji Tata's desire to pioneer and establish new businesses in the country was carried on by his son, Sir Dorabji Tata, who replaced him as chairman of the firm. In 1907, he established India's first steel mill, the first cement-producing unit in 1912, and the first indigenous insurance firm in 1919. Each of these divisions was established as a distinct firm. Traditionally, the Chairman of Tata Sons, the holding company and the group's primary promoter, became the Chairman of the Tata group. Members of the boards of Tata Sons and Tata Industries, the Group's other investment arm, are often also members of the boards of other group companies.

A decentralized mode of working has been a legacy at the Tata group. But this decentralized modal was fast collapsing due to the progressive forces of IMF and World Bank knocking at the doors of our economy. This became an ideal time for Ratan Tata to take over as the chairman of the Tata group. It seemed as if he was the most appropriate person, fit to deal with such a situation.

Early career

After studying architecture at Cornell University, USA he was offered a job at IBM. But he came back to India to tender his sick Grandmother and started as an apprentice in 1962 at Tata Steel Limited, Jamshedpur. At that time it was popularly known as TISCO (Tata Iron and Steel Company) After a while, Ratan Tata shouldered the task of transforming NELCO. He rose the company's market share from 3 % to 20% in a bare minimum span of 3 years only. Though the company was later shut down in 1977.

Further, he shouldered the task to revamp the empress mills of Mumbai that were facing losses. In absence of funds from the top management, he could not inculcate high motivation in this enterprise. Empress mill workers posed a strike, in absence of an appropriate amount of funds, that deteriorated the scenario, finally leading to the shutdown of empress mills in 1986.

Much before Ratan Tata rose towards the chairmanship of this group, he worked as the chairman

of Tata industries which was operating in areas of investments in businesses. Tata Finance, Tata Honeywell, hi-tech drilling services, Tata Keyttron, Tata Telecom, and Tata Elxsi planted were some of the ventures launched by Tata industries.

Major contributions

After becoming the Tata group chairman, Ratan Tata gave prime importance to inculcating a culture of innovation, appraising operational efficiency, fetching lofty foreign direct investments in majorly all sectors, and fulfilling stakeholder expectations like never before. It was due to his efforts that Tata Steel became the lowest-cost steel manufacturing firm in the world. Similar fruitful developments were seen at Tata motors Ltd too. Ratan Tata's painstaking efforts helped establish new heights of Tata sons Ltd. By increasing its stake in the Tata Group.

Further Ratan Tata instituted a royalty payment system for all its Group companies for their using the Tata brand name. This helped to heighten the Tata group brand equity in a flash. On the other hand, Ratan Tata also dropped some poorly performing ventures like cosmetics, textiles, cement, etc. under his chairmanship, and ventured into retail, finance, telecommunication, and software to name a few. In addition to this, his acquiring the brands such as Tetley Tea, Jaguar Land Rover, and Corus group were his landmark contributions to the group.

The gigantic financial success of the Tata group was witnessed during Ratan Tata's chairmanship. Tata group's total sales jumped by 43 times towards the end of 2011-2012. It is considered the first full fiscal post-Ratan Tata took charge of the chairmanship. It is even more interesting to note that their net profit growth in the same duration was an even more remarkable rise to Rs 33,664 CR, which was 51 times higher than in previous years. Furthermore, the data group's composite market capitalization in fiscal 2012 was 33 times higher as compared to their performance in 1992-93, amounting to Rs 4.54 trillion approximately. At the same time the benchmark equity index of BSE, the Sensex, advanced approximately eight times. Though, Tata Nano remained one of the most exorbitant failures of the Tata Group - famously known as the people's car. Ratan Tata launched Tata Nano undeterred by the strong resistance from the Tata Group.

Ethical Leadership of Ratan Tata

The Sir Dorabji Tata Trust was founded as one of the oldest non-communal and multipurpose charitable trusts in India. The Tata Group's pioneering spirit extended beyond the realm of business. Sir Ratan Tata Trust was established as a philanthropic institution in our country. They have pioneered altering the old traditional ideas of charity. TATA trusts undertake an array of works ranging from nutrition, healthcare, education, digital transformation, social justice, and inclusion. Energy and environment, skill development, art and culture, sports, etc. to name a few. The group established some of India's most prestigious institutions – Tata Institute of Fundamental Research, Tata Institute of Social Sciences, Indian Institute of Science, Tata Memorial Hospital, Tata Energy Research Institute, and National Centre for Performing Arts.

* Health care (Business and Trust analysis)

They engage in overcoming the challenge of improving the access to primary health care. As per the reports of the World Bank data, our country India is faced with a ratio of 0.7 doctors and 1.5 nurses per 1,000 people. Under the health portfolio of trust, they focus on providing better access to quality healthcare to an array of patients. The trusts attempt to take care of this by addressing

health care at the most primary level so that further spread may also be avoided. The main themes trust is addressing are communicable and non-communicable diseases, cancer, and elder care.

*** Education**

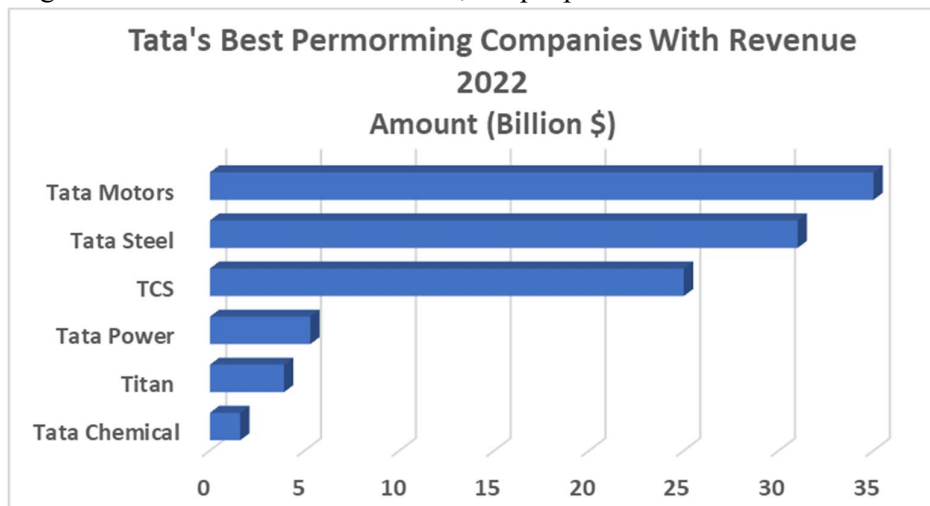
The trust aims to strive towards providing authentic learning for all. With over 3684869 beneficiaries, the trust aims to alleviate poverty by focusing on education, which remains a crucial foundation of the country's socio-economic development too. Education remains a key area at Tata Trusts right from its inception. According to the NCERT (National council of education research and training) National Achievement Survey, covering around 2.5 million pupils, exhibited that children are facing daily life challenges that involve money and time, as well as not being able to understand and read at the grade level. The major themes of the education portfolio remain deepening learning, broadening access, developing teachers, and strengthening systems.

*** Digital transformation**

This portfolio aims at tapping into the power of the digital medium with over 34 million women beneficiaries and 1476605 people who have been reached out through their various campaigns. The Tata Trust firmly believes that digital literacy remains a critical life skill in rural areas. This can stimulate learning in rural communities.

*** Social justice and inclusion**

This portfolio aims at approaching social problems from a holistic perspective. Their 27-partnered organization have reached out to 641,804 people across 28 states.



Source: www.google.com

Role of ethical leadership in the success of the group

Chairman emeritus and former chairman of Tata sons lay down great stress on the importance of legacy as well as the values of the Tata group. Ratan Tata has built the tatting group with his strong ethical behaviour. The group is well known for its ethical leadership practices and for undertaking CSR activities very strongly. The group stresses principles like - the Tata don't bribe and the Tata's don't divulge in politics. Their legacy was further strengthened under Ratan Tata's leadership and gained international acclaim.

Ways to carry forward the legacy of the Tata group in letter and spirit:

*** The strategy - hinging on four themes**

Digital, supply chain resilience, new energy, and health shall remain the four major themes the Tata group shall focus on. These businesses and some pilots are already on their way forward like from the 5G launch to Tata Nevo and Tata electronics to name a few.

The Tata Group shall play its part towards forming a new revolutionized India, with the ambition of turning into a dollar 3 trillion economy by 2024. Their strategy shall work on '3S' - simplification, synergy, and scale, that will make the group financially stronger and simpler than ever before. The Tata Group is strongly positioning its companies towards newer revolutionary technologies. Their healthcare challenged the Tata spirit and provided oxygen and hospital facilities to innumerable people during COVID times. The Tata group doesn't focus on financial success but they aim to make a difference to the community at large. Tata sons and its group companies remain well-capitalized and all impactful companies have seen a huge turnaround in the last four years and contributed significantly to the group profits.

Infusing around 80,000 crores with such bright strategies in place with all group companies aligned with it, the management continuously focuses on achieving its goals, aspirations, and performance.

Tata Group history in brief

Year Event

- 1868 The journey of the Tata Group started with a private trading co. by J. N. Tata.
- 1874 Forays into textiles: Central India Spinning, Weaving & Mfg. Co. is set up.
- 1904 India's first luxury hotel, India Hotels Company is established.
- 1907 Country's first steel plant in the name of Tata Iron & Steel Company (now Tata Steel) was established;
- 1910 Tata Hydro Electric Power Supply Company is established.
- 1911 In Bengaluru, set up the Indian Institute of Science.
- 1912 Tata Steel becomes one of the first companies in the world to implement 8-hour work days.
- 1917 Tatas join the consumer products market with Tata Oil Mills, to manufacture soaps, detergents, and oils.
- 1932 The aviation sector begins in India with the establishment of the Tata Airlines
- 1939 Tata Chemicals was founded.
- 1945 Tata Engineering & Locomotive Company (now Tata Motors) was established to manufacture locomotives and engineering items.
- 1952 The group begins producing cosmetics under the trademark 'Lakme.'
- 1968 Tata Consultancy Services, India's first software firm, is established.
- 1984 Titan Industries is a joint venture between Tata Group and Tamil Nadu Ind. Dev. Corp. that manufactures timepieces.
- 1995 Tata Quality Management Services establishes the JRD QV Award, providing the groundwork for the Tata Business Excellence Model.
- 1996 Tata Teleservices is formed to lead the Group's entry into the telecom sector.
- 1998 The Tata Indica, India's first indigenously designed and built automobile, is released, launching the group's foray into the passenger car market.
- 2000 Tetley Group (UK) is acquired by Tata Tea (now Tata Global Beverages).
- 2001 Tata-AIG is a joint venture between Tata Group and AIG that symbolizes the Group's coming back to the insurance industry. In 1956, the Group's previous insurance enterprise was

nationalized.

2002 The Tata Group acquired a majority interest in Videsh Sanchar Nigam Limited (now Tata Communications).

TCS becomes the first Indian software business to reach \$1 billion in revenue.

2004 TCS goes public in India's leading IPO at that time.

Tata Steel makes its first significant international investment in NatSteel Asia, Singapore. Tata Motors purchases Daewoo Motors' heavy vehicle division in South Korea.

2005 Tata Communications purchases Tyco Global Network, transforming the company into one of the world's leading providers of submarine cable capacity.

2007 Tata Steel purchases Corus, a steel company located in the United Kingdom, for \$12.1 billion, making it the largest foreign acquisition by an Indian company.

2008 Tata Motors acquires Jaguar Land Rover from Ford; the Tata Nano, the world's cheapest automobile, is unveiled.

Challenges faced by the Tata Group

1. Global business management while there has been a serious impact during and post covid on business some new trends that need to be harnessed for the future are:

- Rebuilding a better supply chain
- Transition of talents
- The energy transition toward greener energy

2. Selling vs holding - profitable growth is a major challenge that can be accomplished with strong decisions of what to hold and nurture and what to sell for a better future.

3 The task of polishing an army of managers - The managers must be made better equipped to overcome the repercussions of the slowdown. The group is targeting the challenge to overcome any lacunas in operational excellence.

4. Towards global brand building - there is an urgent need to recreate the trust and bond the group enjoys domestically in other parts of the globe.

5. Reforming the boards towards more younger and global directors - the Tata Group wishes to ensure greater diversity on its board, which oversees a dollar 103 billion conglomerate with an array of companies.

Suggestions

1. The group must move forward to become even more technologically advanced, more sustainable, and much simpler as compared to the past.

2. The Tata Group's bright reputation and deep engagement with the community shall aid them in entering newer markets with newer purposes globally.

3. More manager training programs must be undertaken for sensitizing them towards global trends and achieving greater operational excellence.

4. Underperforming companies can be disregarded over some time and move towards the trending businesses for strong financial performance towards boosting our economy.

Conclusion

The Tata group remains one of the premier and largest establishments in our country and around the globe in general. Ratan Tata's inauguration as chairman of the group coincided with India's economic liberalization, which radically altered the country's industrial environment. The arrival of global competition encouraged many to forecast that Indian firms, which had formerly

functioned in a sheltered economy for decades, would be driven out of business by new and dynamic competitors. Because of its size, variety, and decentralized structure, the Tata group was deemed particularly susceptible. It has without any doubt given a huge boost to the Indian economy with its group companies and community initiatives. Tata group companies remain popular for providing world-class services through its various companies. As their companies remain operational independently, the challenge of effective management and proper auditing of accounts prevails. It is because of the contributions made by Ratan Tata in transforming the Group into a global leader.

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