Tata Sons and the Battle for Control: A Case Study of Family, Trusts, and Shareholders

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Abstract

With activities in more than 80 countries and a presence in seven major industries, the Tata Group is one of India's biggest and most prestigious commercial empires. Unlisted and with a complicated ownership structure, Tata Sons is the holding company of the Tata Group. In this case study, we'll look at the circumstances that led to Cyrus Mistry being fired as chairman of Tata Sons and the establishment of a committee to pick his replacement. This case sheds light on ownership structure and power dynamics in major firms play a major role in the complex and dynamic character of industrial relations. Moreover, the situation involving Cyrus Mistry and Tata Sons demonstrates how negotiating may be useful in labor relations. Mistry and Tata Sons reached a resolution through negotiation. Understanding the complexities of labour relations in big businesses is crucial, as demonstrated by this case. The instance illustrates how negotiation, ownership, and power may all have an impact on how workplace interactions are shaped. Companies that want to maintain successful and stable labour relations must be aware of these variables and ready to manage them. Mistry appealed the decision in court after being let go. A settlement was eventually reached after a three-year judicial struggle between Mistry and Tata Sons.

1. Introduction

An illustrious commercial empire was once created in the vibrant metropolis of Mumbai, India. The legendary Tata Group got its start in 1868 when Jamsetji Nusserwanji Tata, a brilliant businessman and philanthropist, established the groundwork for it. This conglomerate had developed over the years into one of India's largest and most prestigious
business organizations, with a notable presence in seven key industries worldwide. The underlying entity for the Tata Group, Tata Sons, was at the heart of this empire. The fate of this corporate behemoth was, however, formed behind the scenes by a complex web of ownership and power relationships. Tata Sons was controlled by a complicated interplay between family, trusts, and shareholders due to the Tata Trusts' more than 66% ownership, philanthropic organizations the Tata family founded, and prominent business leaders.

In this riveting case study, we dig into the compelling story of the struggle for dominance that played out inside Tata Sons. Cyrus Pallonji Mistry, an accomplished Indian-Irish businessman who became chairman of the Tata Group in 2012, is the main character in our story. Cyrus Mistry, who was a member of the illustrious Shapoorji Pallonji Group by birth, was well-versed in the complexities of management and entrepreneurship. He was a thorough and analytical leader who was well-prepared to handle the demands of the business world because of his background and education.

The Tata Group underwent a metamorphosis under Mistry's direction. Non-core businesses were sold off, strategic choices were made, and the conglomerate's financial performance took center stage. Conflicts within the ranks did however surface, as they always do in stories of power and influence. Mistry's activities were opposed by factions within the Tata Group, which resulted in his abrupt removal as chairman in 2016.

The events that followed Mistry's dismissal paved the way for a court case that would captivate the country. Mistry and Tata Sons traded accusations of poor management, meddling, and having different ideas about the organization's future. Their conflict brought to light the complexity of corporate governance, the interests of minority shareholders, and the influence of significant stakeholders.

The general populace followed the legal procedures closely, waiting impatiently for the outcome of this well-known case. As a result of appeals and counterappeals, the case was heard in several courts. After three years of legal conflict, Cyrus Mistry and Tata Sons finally negotiated a settlement, the specifics of which are shrouded in secret.
The case study dives deeply into the leadership philosophies of the major individuals involved throughout this compelling story. The legendary former chairman of Tata Sons, Ratan Tata, was known for his creative ideas, daring, and teamwork. Cyrus Mistry, on the other hand, brought a new perspective, strategic planning, and analytical thinking to the table. Their altercation and ensuing legal dispute shone emphasis on the value of effective communication, teamwork, and moral behaviour in leadership.

This astounding case study emphasises the significance of comprehending the intricate dynamics of labour relations within major organizations in the end. It emphasises how negotiation, power dynamics, and ownership structure can influence how people interact with one another and maintain stability within an organization. The lessons from the Tata Sons saga serve as a reminder that companies must continuously modify their strategy in order to preserve fruitful and positive labour relations. As we stroll through the halls of Tata Sons, we see the gripping struggle for power play out. This is a tale of family legacy, trusts, and shareholders that sheds light on the complexities of corporate governance and labour relations in the context of the global business scene.

2. History of Tata Group and Tata Sons

Jamsetji Nusserwanji Tata, an entrepreneur and philanthropist who is frequently hailed as the father of the Indian industrial sector, founded the Tata Group as a private business in 1868. For the corporation, this was the start of a wonderful journey. With a long and illustrious history, the Tata Group has grown into one of India's greatest and most prominent business empires.

Each of the seven industries the Tata Group works in—IT, engineering, materials, services, energy, consumer goods, and chemicals—has seen significant advancements from the company. The company made a ground-breaking decision to form the Indian Hotels Company in 1902 with the goal of building the Taj Mahal Palace & Tower, the nation's first-ever five-star hotel. The following year, this famous monument made its appearance and changed India's perception of luxury and hospitality.
When Jamsetji Tata passed away in 1904, his son Sir Dorab Tata assumed control of the Tata Group, carrying on his father's heritage of inspirational leadership. The group grew its activities and cemented its place as a major participant in the Indian corporate environment under Sir Dorab's leadership. Sir Nowroji Saklatwala took charge of the company when Sir Dorab passed away in 1932, however, and guided it through a period of substantial expansion and diversification.

When J.R.D. Tata, also known as Jehangir Ratanji Dadabhoy Tata, took the position of chairman in 1938, a transformative period of leadership began. The innovative focus and vision of J.R.D. Tata helped the Tata Group reach new heights. During his administration, India's first airline, Tata Airlines, which is now known as Air India, was founded. Additionally, employee welfare programmes that broke new ground in the field were introduced.

The Tata Group underwent its next phase of growth and global expansion when Ratan Tata, an Indian business mogul and J.R.D. Tata's protégé, took over as CEO in 1991. Under Ratan Tata's leadership, the company grew its clientele outside of India and had a sizable international footprint in more than 80 countries. The Tata Group's position as a truly worldwide organization, well-known for its unshakable dedication to excellence, moral business conduct, and corporate social responsibility, was further cemented by this global reach. The business has received recognition as one of India's most reputable and ethical corporations thanks to its strong moral principles and ethical business practices.

Jamsetji Nusserwanji Tata, the group's founder, and the leaders that came after him have defined its course, and the Tata Group still survives as a tribute to their lasting legacy. The Tata Group continues to make important contributions to the Indian economy and have a beneficial effect on people's lives all over the world thanks to a solid foundation built on the ideals of integrity, innovation, and social impact.

3. Tata Sons' ownership structure

Tata Sons is a privately held business, hence specific information about its ownership structure is not made available to the public. The Tata Trusts, which were founded by members of the Tata family, possessed the greatest ownership position in Tata Sons,
accounting for more than 66% of the company, with the Sir Dorabji Tata Trust (27.97%) and the Sir Ratan Tata Trust (23.56%) holding the largest stakes and The Kapoorji Pallonji Group is in charge of the next-largest portion (18%). The trusts actively participate in charity activities in India, primarily aiming to enhance people's access to education, healthcare, and livelihood opportunities. Ratan Tata, the previous chairman of Tata Sons and the Tata Group, also controlled a sizable portion in the company. Different firms in the Tata group and private investors held the remaining shares of Tata Sons.

3.1 Cyrus Mistry’s Tata Sons Chairmanship

An Indian-Irish businessman named Cyrus Pallonji Mistry presided over the Tata Group, one of the biggest corporations in India, from 2012 to 2016. A well-known business family in Mumbai, India, welcomed Cyrus Pallonji Mistry into the world on July 4, 1968. Pallonji Mistry, the son of the company's founder, is the leader of the Shapoorji Pallonji Group, a well-known conglomerate involved in a number of sectors including infrastructure, engineering, real estate, and construction. The family has a long history of commercial success and is well known for its significant contributions to the Indian economy.

Mistry was exposed to the complexities of management and entrepreneurship from a young age due to his upbringing in a business-focused atmosphere. He pursued his study at reputable schools, where he gained the expertise and information required to excel in the corporate sector.

Mistry attended the Cathedral and John Connon Schools in Mumbai, then the Lawrence School in Lovedale, Tamil Nadu. He pursued a degree in civil engineering at Imperial College London after completing his high school education. The London Business School's Master of Management program allowed Mistry to advance his knowledge.

Mistry got insightful knowledge of engineering, management concepts, and company strategy because of his strong educational background. Later, when he became chairman of the Tata Group, these foundations would be very helpful.

Mistry was a key player in his family's 150-year-old firm, the Shapoorji Pallonji Group, before he joined Tata Sons. The business is well known for its engineering and construction know-how, having completed numerous significant projects both in India and overseas.
Mistry's involvement in the family firm gave him great exposure to the difficulties of managing many businesses, interacting with stakeholders, and overcoming the difficulties posed by large-scale operations.

The foundation for Mistry's future endeavors was built by his early experiences and exposure to business through his family background, which shaped his comprehension of corporate dynamics, strategic decision-making, and leadership concepts. These formative experiences and his academic achievements enabled him to be ready for the enormous responsibilities and challenges that awaited him when he assumed the position of chairman at Tata Sons.

As Tata Group's sixth chairman, he was the first non-Indian to hold the position. Mistry changed the operations and portfolio of the Tata Group during his time as chairman, selling certain non-core companies and divesting Tata Steel's European operations, among other things. These choices were made with the intention of saving the faltering Tata Group and enhancing its financial performance.

3.2 Cyrus Mistry was fired, and a selection committee was established

2016 saw the ouster of Cyrus Mistry as chairman of the firm with immediate effect during a board meeting of Tata Sons, as Mistry's actions were met with resistance from certain quarters within the Tata Group, leading to his removal as chairman. Tata Sons' former chairman Ratan Tata was named as the company's interim leader. The Board appointed a Selection Committee made up of Ratan N. Tata, Venu Srinivasan, Amit Chandra, Ronen Sen, and Lord Kumar Bhattacharyya to select a new chairman within four months in accordance with the terms of the Tata Sons' Articles of Association. Natarajan Chandrasekaran was ultimately chosen as the new chairman of Tata Sons after a fair and open selection process.

3.3 Cyrus Mistry v/s Tata Sons

On October 24, 2016, Cyrus Mistry was fired from his position as chairman of Tata Sons, and that day the legal dispute between Tata Sons and Mistry began. Mistry contested his dismissal before the National Company Law Tribunal (NCLT), claiming Tata Sons had mismanaged the company and oppressed minority owners. According to Mistry's lawsuit,
Ratan Tata and other members of the Tata Trusts, the company's largest shareholder, were meddling with Mistry's day-to-day management of the business. In addition, he claimed that his attempts to raise group governance issues were the cause of his dismissal. Tata Sons, on the other side, asserted that Mistry's dismissal was the result of mistrust in his ability to lead and a divergent outlook on the organization's future.

There were numerous appeals and counter appeals filed in various courts throughout the course of the protracted legal dispute. Tata Sons and Mistry struck a settlement in December 2019, and the matter was dropped. The public was not informed of the settlement's specifics. Finally, it should be noted that the legal conflict between Cyrus Mistry and Tata Sons was a high-profile case that attracted a lot of media attention and addressed issues regarding corporate law and the rights of minority shareholders in India.

4. Ethical Leaders in Action: Ratan Tata's Teamwork Approach vs. Cyrus Mistry's Strategic Thinking

Although Ratan Tata and Cyrus Mistry are both well-known corporate titans, they differ greatly from one another despite sharing some psychological features.

For his bold leadership, daring, and willingness to take chances, Ratan Tata is recognized. He is a charismatic leader who enjoys a tremendous lot of respect in the industry. He enjoys a strong reputation for morality and has shown his commitment to social responsibility by taking part in charity events with the Tata Group. He is renowned within the company for establishing a collaborative and teamwork-oriented culture and for being an excellent listener.

Cyrus Mistry, on the other hand, is renowned for his meticulous and analytical approach to decision-making. He is a calm, reserved leader who is concerned with planning and carrying it through. He is known for being a logical thinker and for offering the Tata Group a novel viewpoint. Conflicts with Ratan Tata and other board members, however, plagued his stint as Chairman of Tata Sons and ultimately resulted in his dismissal.

The personality features of leaders can have a big impact on how conflicts are managed when it comes to workplace issues. The following could be a model that integrates the qualities of both leaders:
1. **Visionary leadership:** The leader should be able to motivate others to strive towards the organization's vision by sharing their own clear vision. We may thank Ratan Tata for this quality.

2. **Analytical Thinking:** The manager should approach problem-solving logically and analytically. Cyrus Mistry is responsible for this quality.

3. **Collaboration and Teamwork:** The CEO should encourage a culture of collaboration and teamwork within the company, urging all stakeholders to cooperate in order to achieve a common objective. We may thank Ratan Tata for this quality.

4. **Strong communication abilities:** The leader must be able to express their views in a clear and concise manner. Each leader needs to possess this quality.

5. **Ethical Conduct:** The leader must be committed to acting morally and justly when making judgements. Ratan Tata is credited with having this quality.

5. **The Power of Alignment: Stewardship Theory at Tata Sons**

   The stewardship theory of corporate governance can be linked to this case study. The board of directors is essential for overseeing the management team and protecting the long-term interests of the company and its stakeholders, according to the stewardship notion.

   With the Tata Trusts holding the bulk of the shares and prominent businesspeople, philanthropists, and Tata family members sitting on the board of directors, Tata Sons has a complicated ownership structure.

   The business is renowned for employing moral business methods and for placing social responsibility above its financial performance.

   The importance of good communication and collaboration between the board of directors and management, as well as the significance of matching the interests of the company's management team and its stakeholders, are both emphasized by the stewardship theory. Cyrus Mistry's leadership was challenged by a number of Tata Group stakeholders, which resulted in his departure and the formation of a committee to select his replacement. In defending the company's ideals and safeguarding the interests of its stakeholders, the subsequent legal fight between Mistry and Tata Sons further emphasizes the significance
of excellent communication and alignment between the board and management. Overall, the case study's analysis of Tata Sons' management and governance practices can be considered as pertinent to the stewardship theory of corporate governance.

5.1 Analysis of the Impacts on Industrial Relations

The issue at Tata Sons exemplifies how intricate and dynamic labour relations are in big businesses. Examples of the power dynamics and negotiations that take place in labour relations include the removal of Cyrus Mistry as chairman of Tata Sons and the creation of a committee to select a new chairman.

One illustration of the power dynamics between shareholders and management is the resignation of Mistry as chairman. In this instance, the company's biggest shareholder, the Tata trusts, used their clout to pressure Mistry out of her position as chairperson. Multiple stakeholders with varying levels of power and interests can complicate labour relations and have an adverse effect on the company's overall stability.

6. Conclusion

It is possible to view Cyrus Mistry's ouster as chairman of Tata Sons and the creation of a committee to choose his successor as a critical turning point in the history of the Tata Group with consequences for the labour relations of the organization. The power dynamics between shareholders and management, as well as Tata Sons' complex ownership structure, are important aspects of this predicament.

In conclusion, the Tata Sons case emphasizes how critical it is to comprehend the nuances of labour relations in big businesses. It demonstrates how numerous elements, including ownership structure, power dynamics, and negotiation, interact to shape a company's industrial relations environment. It serves as a reminder that managing labour relations is a dynamic, ongoing process, and that businesses must constantly review and modify their strategies in order to maintain stability and success over the long haul.

To control power dynamics, negotiations, and decision-making processes, businesses must implement effective industrial relations strategies. By doing so, the company's stability and prosperity can be increased, and interactions between the management, shareholders, and
other stakeholders can stay cordial. This case study also illustrates the complexity of labor relations in major enterprises and offers both businesses and stakeholders a valuable lesson. Companies may maintain stability and success over the long run by recognizing the elements that influence labor relations and the significance of good initiatives.

**Discussion Questions**

Based upon the above information discuss the following questions:

I. How does the Tata Sons case illustrate the complexities of industrial relations in large businesses?

II. What was the role of conflict resolution and negotiations in the Tata Sons case?

III. How did the power dynamics between shareholders and management affect the decision-making process at Tata Sons?

IV. How did the presence of notable business figures, philanthropists, and Tata family members on the board of directors contribute to the implementation of the stewardship theory at Tata Sons?

V. What aspects of problem-solving and strategic decision-making within an organization can analytical thinking support? How did Cyrus Mistry make use of this quality while serving as Chairman of Tata Sons?

VI. What distinctive viewpoints or experiences did Mistry bring to the company as the first non-Indian chairman of the Tata Group?