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

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1. Synopsis of the Case

This case study revolves around Tata Sons, the holding company of Tata Group, one of India's most prominent commercial empires, which operates in seven major industries with a presence in more than 80 countries. Tata Sons has a complicated ownership structure and is not listed, which makes it difficult to obtain information about the ownership structure. In 2016, Cyrus Mistry, the first non-Indian chairman of Tata Sons, was abruptly fired, leading to a battle for control of the company. This case study explores the events leading up to Mistry's dismissal and the subsequent appointment of Natarajan Chandrasekaran as chairman of Tata Sons, focusing on the industrial relations aspects of the situation. The case illustrates how many factors, including ownership structure and power dynamics in major firms, interact and play a role in the complex and dynamic character of industrial relations in large corporations.

2. The target learning group

This case study is suitable for postgraduate and executive education programs in management, industrial relations, corporate governance, and business ethics. It is particularly relevant for students interested in understanding the complexities of industrial relations in large corporations, the role of ownership structure and power dynamics in decision-making processes, and the importance of conflict resolution and negotiations in corporate governance.

3. Learning/Teaching Objectives and key issues
The learning objectives of the case are:

a) To understand the role of culture and values in shaping the industrial relations of a company.
b) To analyze the industrial relations complexities in large businesses.
c) To explore the factors that influence corporate decision-making processes, such as ownership structure and power dynamics.
d) To identify the importance of conflict resolution and negotiations in corporate governance.
e) To learn how organizations can prevent similar events from taking place in their own companies.

The key issues addressed in this case study include industrial relations, corporate governance, ownership structure, power dynamics, conflict resolution, and negotiations.

The learning objectives can be met by analyzing the case study from different perspectives and considering the following key issues:

a) The ownership structure of Tata Sons and the role of Tata Trusts and private investors.
b) The impact of Cyrus Mistry's chairmanship on the Tata Group and his decisions to divest certain non-core companies and operations.
c) The reasons for Cyrus Mistry's dismissal and the establishment of a selection committee to pick his replacement.
d) The appointment of Natarajan Chandrasekaran as the new chairman of Tata Sons and the impact of his leadership on the company.

4. The teaching strategy

This section offers some possible insights into class discussions on the Case study.

i. **Introduction (5 minutes)**
The session can be introduced with a brief overview of the Tata Group and Tata Sons, their history, and their ownership structure. This can provide the learners with the necessary background knowledge to understand the case study.

**ii. First Step (15-20 minutes)**

The first step can involve a group discussion or a mini-lecture to examine the impact of the culture and values of the Tata Group on the industrial relations in the company. The facilitator can present the learners with a list of Tata Group's core values and beliefs, such as ethical behavior, sustainability, and social responsibility, and ask them to discuss how these values may have influenced the industrial relations in Tata Sons. Learners can be encouraged to use examples from the case study to support their arguments.

**iii. Second Step (20-25 minutes)**

The second step can involve a case analysis from the perspective of conflict resolution and negotiation. The facilitator can provide the learners with a brief overview of different conflict resolution and negotiation strategies and ask them to analyze the role of these strategies in the Tata Sons case. Learners can be divided into small groups, and each group can be assigned a specific conflict or negotiation scenario from the case study. The groups can then discuss and present their analysis of the scenario and the strategies used to resolve the conflict.

**iv. Third Step (20-25 minutes)**

The third step can involve a case analysis from the perspective of decision-making and power dynamics. The facilitator can provide the learners with a brief overview of decision-making models and theories and ask them to analyze the impact of power dynamics between shareholders and management on the decision-making process in Tata Sons. Learners can be divided into small groups, and each group can be assigned a specific decision-making scenario from the case study. The
groups can then discuss and present their analysis of the scenario and the impact of power dynamics on the decision-making process.

5. **Fourth Step (15-20 minutes)**

The fourth step can involve a group discussion or a mini-lecture on the lessons that can be learned from the Tata Sons case about managing industrial relations in large corporations. The facilitator can ask the learners to reflect on the case study and identify the key takeaways that can be applied to other organizations. Learners can be encouraged to share their insights and engage in a discussion to identify best practices for managing industrial relations in large corporations.

5. **The teaching strategy**

The following questions can provide basis for potential assignments:

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

The Tata Sons case illustrates the complexities of industrial relations in large businesses. The case highlights the importance of ownership structure and power dynamics in the industrial relations of large corporations. The complicated ownership structure of Tata Sons, with the Tata Trusts owning a significant stake in the company, played a significant role in the dispute between Cyrus Mistry and the board of Tata Sons. Mistry, who was appointed as the chairman of Tata Sons in 2012, made changes to the company's operations and portfolio with the intention of saving the faltering Tata Group and enhancing its financial performance. However, his actions were met with resistance from certain quarters within the Tata Group, leading to his removal as chairman.

The dispute between Mistry and Tata Sons also highlights the importance of power dynamics in industrial relations. The conflict arose because Mistry, who was not a member of the Tata family, was seen by some as a threat to the group's traditional
power structures. Ratan Tata, the former chairman of Tata Sons and a member of the Tata family, was appointed as the interim leader of the company after Mistry's dismissal. The subsequent legal dispute between Mistry and Tata Sons illustrates the complexity of industrial relations in large corporations, where power dynamics and ownership structures can play a significant role in shaping the outcome of disputes.

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

The role of conflict resolution and negotiations in the Tata Sons case was significant as it was a complex and protracted legal dispute between Cyrus Mistry and Tata Sons. After being fired from his position as chairman of Tata Sons, Mistry filed a lawsuit against the company, alleging that Tata Sons had mismanaged the company and oppressed minority owners. In response, Tata Sons stated that Mistry's dismissal was the result of mistrust in his ability to lead and a divergent outlook on the organization's future. The legal dispute continued for several years with appeals and counter appeals filed in various courts. However, in December 2019, Tata Sons and Mistry struck a settlement, and the matter was dropped. Negotiations played a crucial role in reaching this settlement and resolving the conflict between the two parties.

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

The power dynamics between shareholders and management had a significant impact on the decision-making process at Tata Sons. The Tata Trusts, which were founded by members of the Tata family, held the greatest ownership position in Tata Sons, accounting for more than 66% of the company. The Sir Dorabji Tata Trust (27.97%) and the Sir Ratan Tata Trust (23.56%) held the largest stakes, and The Kapoorji Pallonji Group owned the next-largest portion (18%). This complicated ownership structure and power dynamics between shareholders and management affected the decision-making process at Tata Sons. Mistry's lawsuit alleged that Ratan Tata and other members of the Tata Trusts were interfering in his daily operations of the company. This highlights the importance of ensuring that there is transparency in the company's governance
structure and decision-making processes, and encouraging open communication and dialogue between the management and the shareholders to avoid any misunderstandings or conflicts.

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?

The stewardship principle was successfully implemented within Tata Sons thanks to the involvement of prominent business people, philanthropists, and Tata family members on the board of directors. According to the stewardship theory of corporate governance, the board of directors plays a crucial role in monitoring the management team and defending the long-term interests of the business and its stakeholders.

With the Tata Trusts controlling the vast bulk of the shares in Tata Sons, the company has a convoluted ownership structure. The Tata Trusts, established by members of the Tata family, are heavily invested in social responsibility and actively involved in charity endeavours. The company's values and ethical standards are kept since benefactors and Tata family members sit on the board.

An effective board's decision-making and governance are aided by the presence of prominent business people who contribute knowledge and experience from many industries. The management team can benefit greatly from the insights and advice that these people can offer because they frequently have a thorough awareness of the business environment.

On top of that, having business leaders, philanthropists, and members of the Tata family on the board encourages stewardship and long-term planning. The management team and stakeholders' interests should be aligned, according to stewardship theory, to ensure that decisions are made with the company's long-term success in mind rather than just short-term profits. A culture of ethical and sustainable business practices is promoted by the presence of diverse board
members who are dedicated to the company's principles and the welfare of stakeholders.

The diversity of backgrounds represented on the board at Tata Sons ensures a wider viewpoint in decision-making and responsibility. The presence of business leaders and philanthropists highlights the value of social responsibility and moral behaviour in the company's operations. Overall, the board's structure aids in the application of the stewardship idea by promoting cooperation, bringing people with like interests together, and supporting the company's principles.

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?

Different facets of problem-solving and strategic decision-making within an organisation can be supported by analytical thinking. It entails obtaining and analysing data, spotting trends, and applying reason to decision-making. This method aids in the evaluation of options, the risk assessment, and the formulation of successful plans. Cyrus Mistry's analytical thinking was extremely important in forming his decision-making process throughout his time as Chairman of Tata Sons.

Accurate issue identification and definition is one part of problem-solving that analytical thinking promotes. The ability to dissect difficult issues into manageable parts, to perform in-depth study, and to compile pertinent facts are strengths of analytical thinkers. Mistry, who has management and technical backgrounds, used these analytical skills to pinpoint problems within the Tata Group and comprehend the fundamental causes of the business' performance problems.

Leaders can review a variety of choices and gauge their likely results by using analytical thinking. In order to make educated judgements, it includes taking into account a variety of elements, including financial ramifications, market trends, and
stakeholder interests. Mistry was able to evaluate the financial health and strategic relevance of several Tata Group entities according to his analytical methodology. In an effort to boost the group's overall financial performance and sustainability, he made decisions during his tenure to sell Tata Steel's European operations and divest various non-core businesses.

Analytical thinking also enhances the capacity to foresee and control dangers. When making strategic decisions, leaders need to take foreseeable risks and uncertainties into account. Analytical thinkers are adept at analyzing scenarios, assessing risks, and creating backup strategies. Mistry's analytical outlook enabled him to evaluate the potential risks connected to various business initiatives and focus his decision-making on risk reduction.

Analytical thinking also makes it easier to make decisions based on data. Data analytics and quantitative analysis are tools that leaders can use to gather knowledge and guide their decisions. Mistry's analytical abilities allowed him to assess the Tata Group's businesses critically using financial data, market research, and performance measures. He was able to successfully prioritize strategic activities and allocate resources thanks to this data-driven strategy.

VI. In what ways did Cyrus Mistry's distinctive viewpoints and experiences as the first non-Indian chairman of the Tata Group influence his decisions and actions? How did these factors contribute to his dismissal?

As the first non-Indian chairman of the Tata Group, Cyrus Mistry brought to the organization a unique background and set of experiences. During his tenure, these reasons influenced his choices and deeds, but they also contributed to his confrontations with Ratan Tata and other board members, which finally resulted in his termination.

Mistry's global perspective was a major contributor to the unusual ideas and experiences he had. Mistry introduced a new perspective to the Tata Group by joining from the Shapoorji Pallonji Group, an international conglomerate active in
engineering and construction. He gained a deeper awareness of international markets and industry trends as a result of his exposure to managing various firms and overcoming difficulties presented by large-scale operations. This global view probably influenced his choices regarding the growth of the Tata Group.

Mistry's origins helped him think strategically. His approach to analysing the portfolio of the Tata Group and identifying non-core businesses may have been influenced by his prior experience managing various businesses within the Shapoorji Pallonji Group. His strategic planning aimed to streamline operations and concentrate on the group's key competencies.

But Mistry's unique perspectives and experiences also sparked disagreements within the Tata Group. The Tata Group is deeply rooted in Indian culture and traditions and has a long history. Ratan Tata and other board members, as well as certain firm stakeholders, might have thought that Mistry's choices and behaviour departed from the established values and spirit of the Tata Group.

Over time, these arguments grew more intense, and they eventually included disagreements over the strategic course of particular Tata Group enterprises. The disparities in viewpoints and methods between Mistry and the other board members grew to the point where the other board members lost faith in Mistry's ability to lead, which resulted in his removal as chairman of Tata Sons.

Finally, Cyrus Mistry's unique perspectives and experiences as the first non-Indian chairman of the Tata Group gave the business a global perspective and strategic thinking. While Ratan Tata and other board members were a source of disagreements for him, these considerations did have an impact on his judgements and actions. Mistry was finally fired as chairman of Tata Sons as a result of these disputes.

6. Background Reading:
7. **Experience of Using Case:**

This case study can be used in various courses related to business management, corporate governance, and industrial relations. It can be especially useful in courses that focus on family-owned businesses, corporate governance, leadership, and decision-making. The case provides insights into the complexities of industrial relations in large corporations and the role of ownership structure and power dynamics in shaping decision-making processes. The case can also be used as a basis for class discussions, group assignments, and research projects. The instructor can encourage the students to relate the case to real-life situations and analyze the impact of various factors on industrial relations and corporate governance. Overall, this case study can be a valuable tool for developing critical thinking and problem-solving skills in students.