Succession at Tata Sons – Culmination of the 'Long Term' Model

Since August 2010, when Tata Sons announced setting up of a special committee to select the successor to Ratan Tata, there was enormous speculation in corporate circles about who would be crowned as head of the Tata group. Global consultancies opined that it was about time that India's family owned companies get out of the dynastic mode of governance and bring in professional managers, more so to aptly realise the competitive advantage against China's government controlled companies.

Ratan Tata himself mentioned that his successor need not be a family member, a relative, a parsi or even an Indian. Prominent names from the global corporate world (like Indira Nooyi, Vikram Pandit and Carlos Ghosn) were doing the rounds for Tata's successor. Among all this excitement the appointment of Cyrus Mistry seemed to be the anticlimax – hardly a revolution that people were waiting to happen.

However, the group did not require a 'revolutionary' change. Tata group is large, international, complex and peculiar. In view of Prof. Ajay Bhalla of Cass Business School, Tata group required a good steward who can connect with various stakeholders more than a hands-on manager to lead it. Mistry has age on his side; he has the inside knowledge and he can build on the group's legacy keeping long term perspective in mind.

As was evident in Jaguar-Land Rover takeover, Tatas typically take the long term view of business; that completely changes the assumption of what constitutes good value. Though, succession at Tata Sons appears to be regressive (limiting the reigns to someone in the clan) but is more appropriate for the long term evolution of the group. In stark contrast to this many highly paid professional managers of western firms have destroyed huge value as they were obsessed with short-term value. It is surprising that non-Indian firms have not learnt much from Tata's long-term approach to business.

Source: Financial Times, London, November 28, 2011