

Leadership for India Inc: Practical Concepts and Constructs
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Week - 07
Leadership Development and Succession
Lecture - 34
Success Factors for Succession

Hi Friends, welcome to the NPTEL course Leadership for India Inc: Practical Concepts and Constructs. We are in week 7, discussing Leadership Development and Succession. In this lecture, we will discuss Success Factors for Succession.

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From the Previous Hypothesis

The previous lecture extensively discussed various aspects of leadership succession and hypothesized a succession model of change with continuity as the one that could work successfully. It also highlighted that the successor should have a clear leadership model and strategic framework to deliver on the thesis of change with continuity.

Ratan Tata had a 22-year period of successful stewardship from 1991 to 2012, which followed an exemplary stewardship by J R D Tata for several decades, from 1938 to 1990.



After a global search, Cyrus was named as Deputy Chairman to be mentored under Ratan for a year and to take over as the Chairman when Ratan stepped down in December 2012.

The Shapoorji family was one of the largest shareholders of Tata Sons—the holding company of the Tata Group—and Cyrus himself was on the board of Tata Sons from 2006.



Cyrus Mistry, however had a tumultuous tenure of less than 5 years which pointed out the challenges of taking a fresh bow without having a framework for building on past successes.

The selection of Cyrus after months spent by Tata Sons on a global search begs the question if prior ties are necessary, if not essential, for high-profile leadership successions.



This lecture extends the previous discussion with additional aspects of succession planning contextually relevant in India, analysing the happenings at Tata Group objectively and apolitically.

The Tata Group evolved over the years as a conglomerate of solid institutions, each with independently selected leaders. Independent of the choice of a new steward, the Group could still make itself proud on the strength of the leadership at Tata Sons, the holding company as well as in the individual companies.



The previous lecture extensively discussed various aspects of leadership succession and hypothesized a succession model of change with continuity as the one that could work successfully. It also highlighted that the successor should have a clear leadership model with strategic framework to deliver on the thesis of change with continuity.

Ratan Tata had a 22-year period of successful stewardship from 1991 to 2012, which followed an exemplary stewardship by JRD Tata for several decades from 1938 to 1990. During his tenure, Ratan Tata followed a strategic framework of leadership that ensured

enormous success and also imminence for him. This ten factor model, which was discussed in the last lecture, is worth repeating in a brief manner.

These ten factors were investment with divestment; he separated the non-core from the core, divested the non-core, reinforced the core businesses, and also at new core businesses. He ensured that the Tata Group was consolidated as well as professionalized. Group ethics were created during his period; he could align leaders, he could moderate the extreme individualism of certain leaders and ensure that they were all aligned to one Tata credo.

He pursued aggressive globalization through the group companies, many of them based on acquisitions from the overseas markets. He focused on the turnaround capabilities of the firms and leveraged cross borders synergies. He also ensured that the group was strong, stable and forward looking.

By a very aggressive and creative capital generation and deployment policy, he enhanced the shareholding of Tata Sons in the various group companies and ensured stability for the promoter interest. He also encouraged the companies to come up with globally competitive product portfolios.

He promoted self reliance, he promoted functionality of products and also he ensured affordability from all the products that were developed and put into market by the companies. In the overall, he continued the legacy of JRD Tata; that is work as trustee for public wealth that is generated by the Tata Group companies.

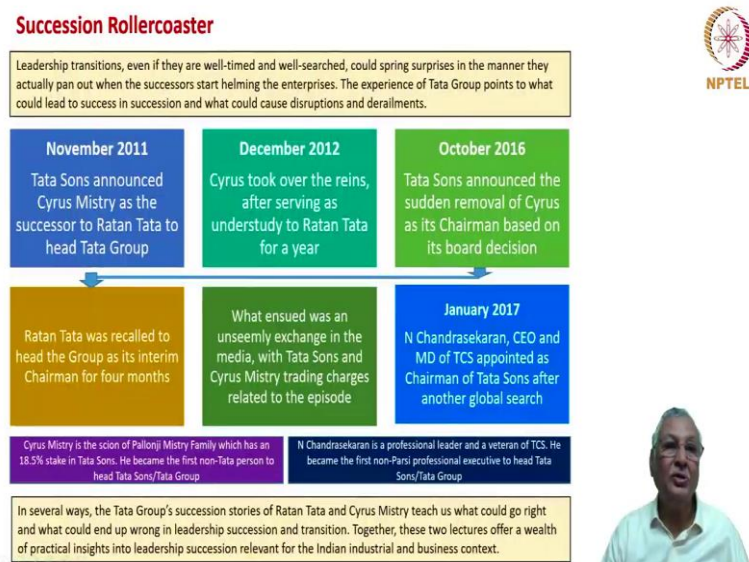
After a global search when he decided to retire, Cyrus Mistry was named as Deputy Chairman to be mentored under Ratan Tata for a year and to take over as the chairman when Ratan Tata step down in December 2012. The Shapoorji family was one of the largest shareholders of Tata Sons. The holding company of the Tata Group and Cyrus himself was on the board of Tata Sons from 2006.

Cyrus Mistry, however, had a tumultuous tenure of less than 5 years which pointed out the challenges of taking a fresh bow at the apex level without having a framework for building on past successes. The selection of Cyrus after months spend by Tata Sons on a global search begs the question if prior ties are indeed necessary; if not essential, for high profile leadership successions.

This lecture extends the previous discussion on leadership succession with additional aspects of succession planning contextually relevant in India, analysing the happenings at Tata Group objectively and apolitically. This lecture does not intend to judge the rights and wrongs, if any of the episode that have happened. The whole intent is to develop insights and constructs relevant for leadership succession and the broader domain of leadership.

The Tata Group evolved over the years as a conglomerate of solid institutions, each with independently selected capable leaders. Independent of the choice of a new steward, the group could still make itself proud on the strength of leadership at Tata Sons, the holding company as well as in the individual companies.

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However, succession was a rollercoaster at Tata Group in recent times. Leadership transitions, even if they are well timed and well searched, could spring surprises in the manner they actually pan out when the successors start helming the enterprises. The experience of Tata Group points to what could lead to success in succession and what would cause disruptions and derailments.

In November 2011, Tata Sons announced Cyrus Mistry as the successor to Ratan Tata to head Tata Group. In December 2012, Cyrus took over the reins, after serving his understudy to Ratan Tata for a year. In October 2016, Tata Sons announced the sudden removal of Cyrus as its chairman based on its board decision.

Simultaneously, Ratan Tata was recalled to head the group as its interim chairman for four months. Thereafter, there was an unseemly exchange in the media with Tata Sons and Cyrus Mistry trading charges relating to the episode. In January 2017, N Chandrasekaran, CEO and MD of TCS was appointed as Chairman of Tata Sons after another global search.

Cyrus Mistry is the scion of Pallonji Mistry family which has an 18.5 percent stake in Tata Sons. He became the first non-Tata person to head Tata Sons, Tata Group. N Chandrasekaran on the other hand is a professional leader and a veteran of TCS. He became the first non-parsi professional executive to head Tata Sons, Tata Group.

In several ways, the Tata Group's succession stories of Ratan Tata and Cyrus Mistry teach us what could go right and what could end up wrong in leadership succession and transition. Together these two lectures, the previous one as well as this lecture, offer a wealth of practical insights into leadership succession relevant for the Indian industrial and business context.



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Search Ends, Questions Begin...

The succession process which threw up a leader of prior nexus (Cyrus Mistry) albeit with his own credentials whose tenure ended just five years later with an unceremonious removal brings forth several important questions.

- 1 The first relates to the value proposition, either of the conglomerate or of the candidates that could influence the succession process, and the subsequent retention process.
- 2 The second relates to whether an Indian conglomerate could ever aspire to have a professional, even an expatriate, from within the Group as the leader, and whether he or she is connected with the family or not.
- 3 The third relates to whether an Indian conglomerate could have, as a successor, an executive head who is completely unconnected with the founder family, and whether he or she is in the Group or not.
- 4 If the answer to the preceding two questions is in the negative, the fourth question is how a conglomerate would develop internal leadership talent that could take over the stewardship.
- 5 The fifth question is whether the singular leadership model loses its relevance at some point and a format of collective responsibility becomes logical, if not imperative.
- 6 The sixth question is about how intimately the board or the outgoing Chairman would need to be associated with the selection process, and mentoring the new leader thereafter.

Value Proposition? Professional or Family Member? Connected or Unconnected? Internal Leadership? Collective Responsibility? Board/Outgoing CEO Role?



When the search ends, there will always be questions as far as leadership successions go. In this case, the succession process which threw up a leader of prior nexus Cyrus Mistry albeit with his own credentials, whose tenure ended just five years later with an unceremonious removal brings forth several important questions.

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The third relates to whether an Indian conglomerate could have, as successor, an executive head who is completely unconnected with the founder family, and whether he or she is in the group or not. If the answer to the proceeding two questions is in the negative, the fourth question is how a conglomerate would develop internal leadership talent that could take over this stewardship at the very apex level.

The fifth question is whether the singular leadership model loses its relevance at some point and a format of collective responsibility becomes logical, if not imperative. And the sixth question is about how intimately the board or the outgoing Chairman would need to be associated with the selection process, and mentoring the new leader thereafter.

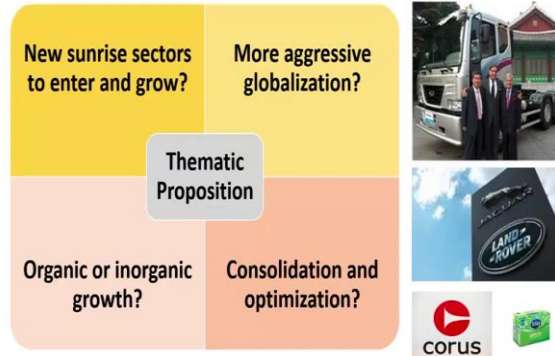
So, the questions are what is the value proposition for the company and the leader? Should the leader be professional or family member? Should the leader be connected or unconnected with the previous leadership or the founder family?

Should we look at internal leadership? Should we try for collective responsibility? What is the role of the board and what is the role of the outgoing CEO? These are some other questions which come as corollary's to the basic six questions that I posed.

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Thematic Proposition

The starting point for any recruitment effort is the value proposition. In terms of apex leadership succession, especially in conglomerate groups, crafting a value proposition would be extremely important but challenging.



While the internal thematic proposition of Tata Group cannot be accessed, the four-pronged thematic proposition, hypothesized above, could have been a reason for the Group to look for a global executive, among others, to take over the reins.



The starting point for any recruitment effort is the value proposition. In terms of apex leadership succession, especially in conglomerate groups, crafting a value proposition would be extremely important, but challenging. The thematic proposition in this case could be; should we have new sunrise sectors to enter and grow, should we attempt more aggressive globalization; should we pursue organic growth or in organic growth; should we consolidate and optimize more and there could be many other themes.

But together these represent the thematic proposition, which the board and the prospective candidates should look at when a leadership transition is being attempted. While the internal thematic proposition of Tata Group cannot be assist by me or anyone for that matter, the four pronged thematic proposition, hypothesized above could have been a reason for the group to look for a global executive among others to take over the reigns from Ratan Tata.

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Strategic Vision

Conglomerates and corporations need a strategic vision to guide succession. While the new incumbent would be capable to develop a new vision and strategy, a thematic direction would be beneficial to start the succession process.

Reliance
Specialized Diversity
Textiles, Petrochemicals, Oil, Retail, Telecom

GMR
Infrastructure Building
Airports, Energy, Highways, SEZs, Aviation

TATA
Diversified Specialization Covering Multiple Industries
Conglomerate
IT, Steel, Automobiles, Consumer, Infrastructure, Financial, Aero & Defense, Tourism & Travel, Telecom & Media, Trading & Investments

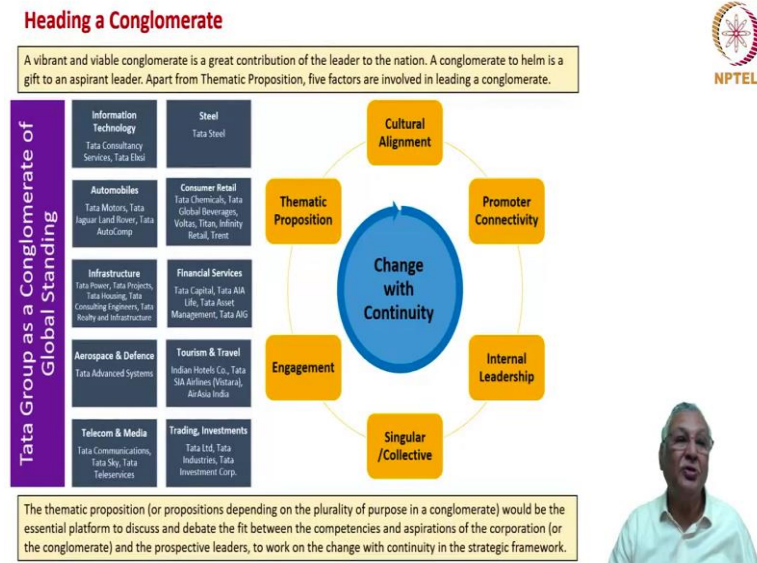
NPTEL

Strategic vision, conglomerates and corporations need a strategic vision to guide succession. While the new incumbent would be capable of developing a new vision and strategy, a thematic direction would be beneficial to start the succession process. If you look at Reliance, the strategy is one of specialized diversity; there is specialization, but also diversification.

It, the company started with textiles under the helm of Dhirubhai Ambani; then it moved in a big way into petrochemicals; then it became an oil major; then it entered retail; and thereafter into telecom. If you look at GMR, an infrastructure group, the strategic framework was one of infrastructure building; started with airports, went on to become energy infrastructure builder, moved into high ways, started developing special economic zones, and lately into aviation.

If you look at a conglomerate such as Tata, the interests are absolutely wide; it is diversified specialization covering multiple industries. The conglomerate covered representatively to so to speak IT, steel, automobiles, consumer, infrastructure, financial, aero and defense, tourism and travel, telecom and media, trading and investments. These could be seen as ten industrial or business clusters which they conglomerate is focusing on at present.

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So, in such a situation, how would you head a conglomerate? A vibrant and viable conglomerate such as Tata Group is a great contribution of the leader to the nation. It is also a gift to an aspirant leader. Apart from the thematic proposition, five factors are involved in leading a conglomerate. Change with continuity which drives cultural alignment, promoter connectivity, internal leadership, singular collective way of leading, engagement, and thematic proposition.

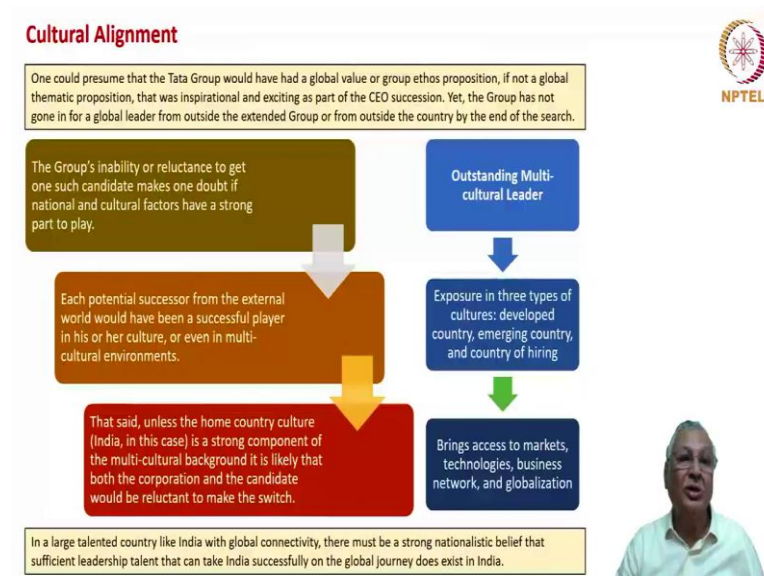
So, given that there are as many as ten clusters with several leading companies, in each of these clusters, the challenge and the opportunity for the leader of a conglomerate or indeed immense and enormously fulfilling. So, if you look at information technology companies such as Tata Consultancy Services and Tata Elxsi are the leaders.

In the automobile field, Tata Motors, Tata Jaguar Land Rover, Tata AutoComp are the leaders, and in consumer retail, Tata Chemicals, Tata Global Beverages, Voltas, Titan, Infinity, Retail, Trent and now Tata consumer products due to some cross merger of product portfolios, these are the leading companies.

In infrastructure, a whole number of companies Tata Power, Tata Projects, Tata Housing, Tata Consulting Engineers, Tata Reality and Infrastructure. So, this is the kind of variety and depth that exists in the conglomerate. And to be able to head this conglomerate and take it to newer heights, the leader requires a thematic proposition.

This thematic proposition or propositions depending on the plurality of purpose in a conglomerate would be the essential platform to discuss and debate the fit between the competencies and aspirations of the corporation or the conglomerate on one hand and the prospective leaders on the other hand. This discussion enables to work on the change with continuity paradigm in the strategic framework.

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Cultural alignment is another important aspect as I said of the five factors framework. One could presume that the Tata Group would have had a global value or group ethos proposition; if not a global thematic proposition, that was inspirational and exciting as part of the CEO succession.

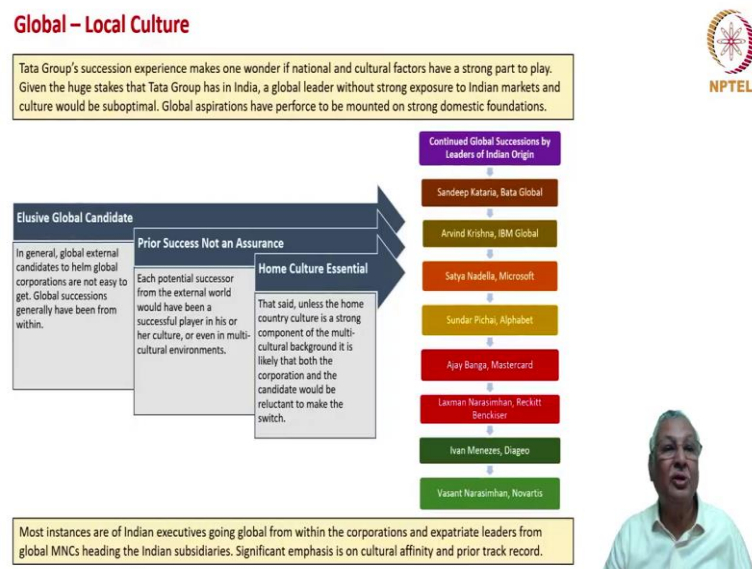
Yet, the Group has not gone in for a global leader from outside the extended Group or from outside the country by the end of the search. Although we understand that one global leader was part of the talent pool, that was being looked at seriously by the company or the group of companies. The group's inability or reluctance to get one such candidate makes one doubt, if national and cultural factors have a strong part to play.

Each potential successor from the external world would have been a successful player in his or her culture or even in multicultural environment. That said, unless the home country culture, in this case India is a strong component of the multicultural background of the external candidate; it is likely that both the corporation and the candidate would be reluctant to make the switch.

Probably that is what that happened in the case of Tata Group. We may have an outstanding multicultural leader, who may have exposure in three types of cultures; developed country, emerging country, and country of hiring. He may be able to bring access to markets technologies, business network, and globalization.

But all of these things must also be supplemented by deep knowledge of the home country culture, where the pedigree of the group has started, where the conglomerates basic foundations exist, and where the basic foundations and the super structures continue to grow. In a large talented country like India with global connectivity, there must be a strong nationalistic belief that sufficient leadership talent that can take India successfully on the global journey does exist in India; that is as far as cultural factors are concerned.

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We should also look at the global local culture. Tata Groups succession experience makes one wonder, if national cultural factors have a strong part to play and presumably they did play. Even the huge stakes that Tata Group has in India, a global leader without strong exposure to Indian markets and culture would be suboptimal. Global aspirations have perforce to be mounted on strong domestic foundations.

So, the candidate of a true global candidate for an Indian internationalized conglomerate could be a bit of an elusive search. In general, global external candidates to helm global corporations are not easy to get. Global successions generally have been from within.

Prior success is not an assurance, particularly when there is a group to group movement. Each potential successor from the external world would have been a successful player in his or her culture or even in multicultural environments.

Home culture is essential. That said, unless the home country culture is a strong component of the multi cultural background; it is likely that both the corporation and the candidate would be reluctant to make the switch. But, there is great interest in a phenomenon that has been happening over the last several years and continues to happen.

That is continued global successions by leaders of Indian origin. In most of these cases, however the leaders have come from within of the global corporation; although there have been one or two inductions from outside the global corporation. The latest to happen is that of Sandeep Kataria, who moved from Bata India to Bata Global; purely based on the performance, purely based on the gravity of India business that he could develop as part of the overall Bata Global business.

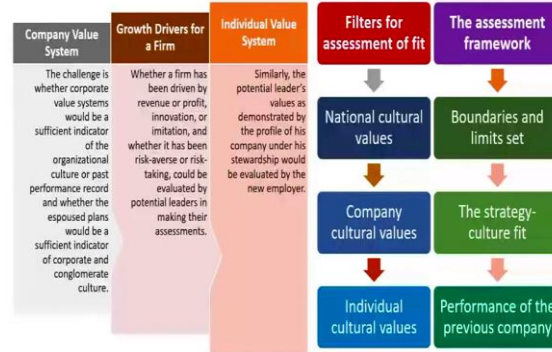
Arvind Krishna who became the CEO of IBM Global; Satya Nadella, who became the CEO of Microsoft; Sundar Pichai who is the CEO of Google and Alphabet; Ajay Banga, CEO of Mastercard; Laxman Narasimhan - Reckitt Benckiser; Ivan Menezes - Diageo; Vasant Narasimhan - Novartis and several others are reflective of the fact that Indian leaders with the global canvas and with the global outlook could transit to CEO positions in global corporations.

Most instances of Indian executives going global from within the corporations and expatriate leaders from global MNCs coming into Indian subsidiaries, as heads is worth noting and this could provide a template for greater cross movement of multicultural talent across local and global companies. But underlining all this is the significant emphasis that is placed on cultural affinity and prior track record.

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Beyond National

Leaders and aspirational conglomerates should be open to look beyond national cultures in their growth journeys. The culture of the corporation could itself be distinctive and be adding an overlay to the national cultural factors. For example, what drives the firm - revenue or profit, innovation or imitation, being risk-averse or risk-taking.



However, if the succession itself were planned as a tool to change its cultural dynamics, the corporation would need to articulate that upfront to the potential candidate as a component of the thematic proposition and culture statement, and as part of the selection process (at least in the last lap).



How do we see growth beyond national? Leaders and aspirational conglomerates should be open to look beyond national cultures in their growth journeys. The culture of the corporation could itself be distinctive and be adding an overlay to the national cultural factors. For example, what drives the firm; revenue or profit, innovation or imitation, being risk averse or risk taking; what drives the movement beyond the national boundaries.

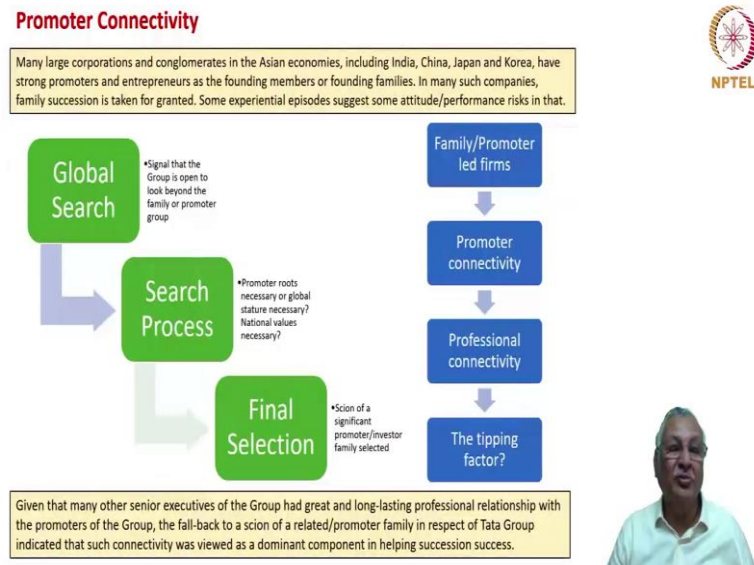
Fundamentally the company value system. If the value systems are aligned with the value systems for the individual; then the growth would happen. Second growth drivers for a firm, if the firm is growth oriented and if the individual has demonstrated significant growth record, significant innovation record; then there would be possibility to move beyond the national boundaries.

And as I said, the individual value system, which is aligned to the company value system that is important. So, what are the filters for assessment of fit? Fundamentally national cultural values, company cultural values, and individual cultural values. And what is the assessment framework? Boundaries and limits set in terms of the companies as well as their respective strategic frameworks; the strategy-culture fit and the performance in the previous company.

However, if the succession itself were planned as a tool to change the cultural dynamics, the corporation would need to articulate the upfront to the potential candidate as a

component of the thematic proposition and the culture statement, and also make clear as part of the selection process at least in the last lap, when only very few candidates are discussed for consideration.

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Let us look at the factor of promoter connectivity. Many large corporations and conglomerates in the Asian economies, including India, China, Japan, and Korea, have strong promoters and entrepreneurs as the founding members or founding families. In many such companies, family succession is taken for granted. Some experiential episodes suggest some attitude, performance risks in that.

If you have family promoter led firms and therefore, promoter connectivity is brought forth as the most important factor; then there is one type of leadership succession that could happen. If on the other hand, professional connectivity is sort; there could be another type of leadership succession. Company should understand, what would be the tipping factor for deciding between promoter connectivity and professional connectivity as the prime driver.

Tata Group indeed did well to go on a global search; because it gave the signal that the group is open to look beyond the family or promoter group. The search process itself was probably pretty open; it did not really say whether the promoter roots were necessary or whether global stature was necessary, probably it mentioned that the national values

were necessary. And in the final selection, however this scion of a significant promoter investor family got selected.

Given that many other senior executives of the Group had great and long lasting professional relationship with the promoters of the Group, the fall back to a scion of a related promoter family in respect of Tata group indicated that such connectivity was viewed as at least one dominant component of the search process and final selection decision.

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A Preferred Model?

Given the uniqueness of Indian as well as non-resident Indian situation, some groups such as Murugappa Group, Mahindra Group and Hinduja Group have sought to retain control of individual companies through holding investment companies, and chairman roles in individual companies, and through board majority control.

Founded in 1900, Murugappa Group is one of India's leading business conglomerates

- Group turnover INR 369 Billion (36,893 Crores)
- 28 businesses including nine listed Companies

Murugappa Corporate Advisory Board

- 7-member board as the topmost decision-making body
- Just one family member (but executive chairman who is a family member and 6 non-family members)

Individual Companies, Listed and Non-Listed

- Independent boards of directors, with or without family representation, on a case by case basis
- Companies managed by MD&CEO in each case

Formal controls Vs Informal controls

Cannot look at only Indian companies with asistance

Even MNCs exert informal controls through global matrix organization

The pointer for the other Indian groups is clear—develop leadership that combines professional competencies and entrepreneurial spirit through customized programmes but ensure good connectivity with the promoters.

What is the preferred model to pursue? Given the uniqueness of Indian as well as nonresident Indian situation, some groups such as Murugappa Group, Mahindra Group, and Hinduja Group have sought to retain control of individual companies through holding investment companies, and chairman roles in individual companies, and through board majority control.

Murugappa Group is an example. The group was founded in 1900, it is one of the India's leading business conglomerates based in South India. The group turnover is 37,000 crores or roughly 369 billion Indian rupees. It has 28 businesses including nine listed companies.

The group constituted a Murugappa corporate advisory board, which is a 7-member board as the topmost decision making body. Just one family member, but executive

chairman who is a family member and 6 non-family members; that is the way it was constituted.

Individual companies were listed and non-listed. Each had an independent board of directors with or without family representation on a case by case basis. And companies were requested to be managed by MD and CEO in each case. This was a conscious effort by the Murugappa Group to separate the family influence and the professional imperatives.

So, the question in leadership succession models relates to having the appropriate bridge or the balance between formal controls and informal controls. We should not look at only Indian companies with askance as far as the leadership succession challenges are concerned; even MNCs exert informal controls through global matrix organization, even if they are professional companies.

So, we should not be saying that only Indian companies are trying to retain control; parent companies of global multinationals also try to exert control through the professional means. The pointer for the other Indian groups is clear, develop leadership that combines professional competencies and entrepreneurial spirit through customized programs, but ensure good connectivity with the promoters. That seems to be the formula that could work well in leadership successions, especially in family run promoter held companies.

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Internal Leadership

Development of internal leadership should not be seen either as a simple task or a complex endeavour for today's Indian enterprises. Most firms are sufficiently globalized and have varied operating environments that could make them on par with any multinational corporation in terms of diversity and global challenge.



It is important for corporations to select leaders who have travelled at least half the path while entrusting major growth, turnaround and transformational responsibilities to the new leaders. For conglomerates, all the three may be required to be managed together.



How do we develop internal leadership? Development of internal leadership should not be seen either as a simple task or a complex endeavor for today's Indian enterprises. Most firms are sufficiently globalized and have varied operating environments and this could make them on par with any multinational corporation in terms of diversity and global challenge.

Therefore, internal leadership is feasible and viable to be developed. We should have the leader, who needs to be qualified for internal leadership, should have led growth or turnaround in any enterprise. He or she should have thorough multinational expertise and a record of leading through teams. The leader should have global foray of businesses as one of his basic criteria of performance.

And it could be through overseas entity formation and/or strategic alliances. The leader should have led strategic transformation of the enterprise; that could be in terms of establishing new businesses, and recruiting and nurturing global talent. Innovation, efficiency, and cultural balance are the strong points for promoting internal leadership in leadership transitions.

It is important for corporations to select leaders who have travelled at least half the path while entrusting major growth to such leaders, or expecting such leaders to turnaround a failing business, or expecting such leaders to transform the groups into completely different entities. At least half of the such paths should have been travelled by the potential leaders. For conglomerates, all these may be required to be managed together.

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Internal Integration

Some companies have tried to integrate expatriate leaders into the Indian organizational system. Examples are Kim as the CEO in Videocon, Carl-Peter Forster as CEO earlier and Guenter Butschek as MD and CEO currently of Tata Motors, and Ralf Self as the JLR Chief until recently. Such initiatives also worked well.

The first two leaders accomplished much in their stints with the Indian companies but their personal and other considerations could not let them grow to the highest levels.

On the other hand, the third leader has not only led JLR turnaround and growth but even emerged as a strong candidate in the succession cycle at Tata Group.

There is a case for focusing on the internal development of leaders who would not encounter or perceive cultural barriers in heading Indian enterprises.



There is no reason why Indian multinational corporations cannot develop Indian leaders to manage their global operations. It could be quite a simple process of passing them through targeted domestic and overseas assignments.

The fact that Chandrasekaran, who took TCS to greater heights as the CEO, succeeded as the Chairman of Tata Sons in the second succession cycle reflects well on the Tata Group's progressive approach on internal leadership. It provides the required edge to internal, professional nexus for the broader India Inc in matters of succession.

Innovation

Efficiency

Cultural Balance



Internal integration, some companies have tried to integrate expatriate leaders into the Indian organizational system. Some examples are Kim as the CEO in Vediocon, Carl-Peter Forster as CEO earlier, and Guenter Butschek as MD and CEO currently of Tata Motors, Ralf Self as the JLR Chief until recently. Such initiatives also worked well.

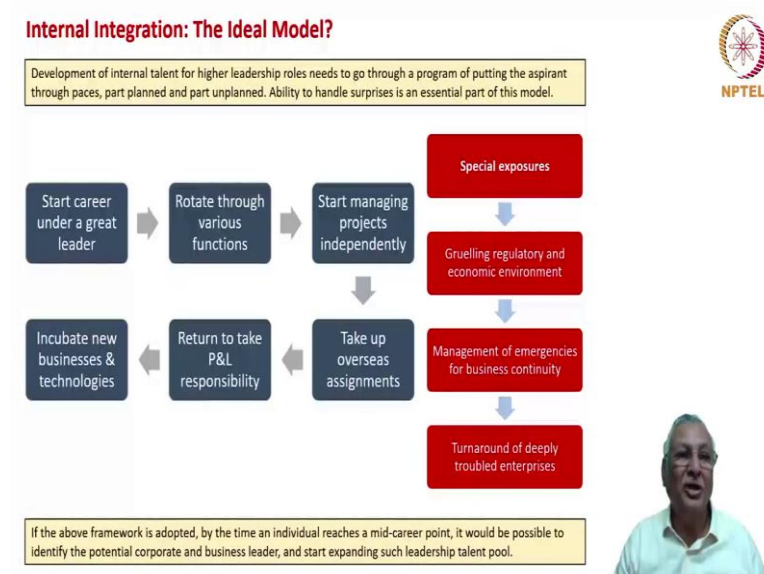
The first two leaders accomplished much in their stints with the Indian companies, but their personal and other considerations could not let them grow to the highest levels. On the other hand, Ralf Self led JLR exceedingly well, even under the ownership of Tata Motors and as a result he emerged as a strong candidate in this succession cycle at Tata Group.

There is certainly a case for focusing on the internal development of leaders, who would not encounter or perceive cultural barriers in heading Indian enterprises. There is no reason why Indian multinational corporations cannot develop Indian leaders to manage their global operations. It could be quite a simple process of passing them through targeted domestic and overseas assignments.

If the Indian leaders display innovation, efficiency, and cultural balance; it would be very much possible for Indian leaders to occupy global chairs. That has actually happened as illustrated by the several transitions of Indian leaders into global apex positions. That has actually happened as illustrated by me in the readout of the Indian leaders who transited to global apex positions.

The fact that Chandrasekaran, who took TCS to greater heights as the CEO, succeeded as the Chairman of Tata Sons in the second succession cycle reflects well on the Tata Group's progressive approach on internal leadership. It provides the required edge to internal, professional nexus for the broader India Inc in matters of succession.

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What is the ideal model for internal integration? Development of internal talent for higher leadership roles needs to go through a program of putting the aspirant through paces, part planned and part unplanned. Ability to handle surprises is an essential part of this model.

The way we do it is through this framework. First start career under a great leader, rotate through various functions, start managing projects independently, take up overseas assignments, return to take P&L responsibility. It could happen the other way also, first take up P&L responsibility in an Indian unit, and then take up overseas assignments.

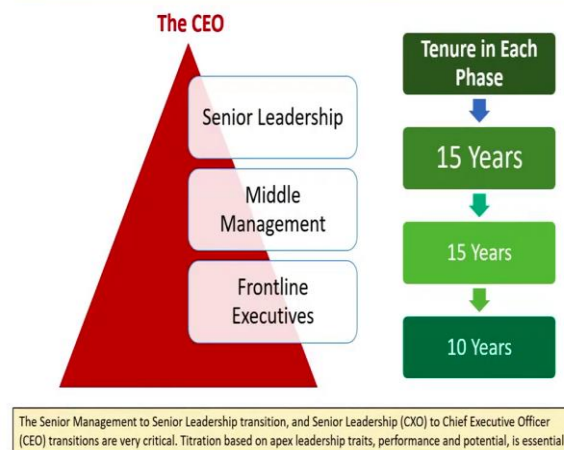
Incubate new businesses and technologies; by the time a leader goes through all these paces, he would be a fully rounded top class leadership material. So, special exposures are also very much necessary; grueling regulatory and economic environment is one such exposure; management of emergencies for business continuity another exposure; turnaround of deeply troubled enterprises the third exposure.

In fact, Ratan Tata's starting assignment was standing around Nelco. It was a challenging job, which he did with aplomb as I discussed in the earlier lecture. This has obviously laid the foundation for the leadership tenacity and leadership sagacity in him. If the above framework is adopted, by the time an individual reaches a mid-career point; it would be possible to identify the potential corporate and business leader, and start expanding such leadership talent pool.

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Singular Versus Collective Leadership

The way organizations are structured pyramid-like, the pursuit of singular leadership is inevitable. However, as enterprises scale up and scope up there is probably too much stress on the organization and leaders for singularity.



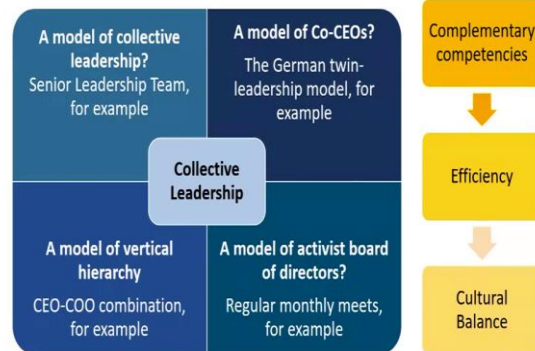
The other issue is whether we should have singular leadership or collective leadership. The way organizations are structured pyramid like, the pursuit of singular leadership is inevitable. However, as enterprises scale up and scope up, there is probably too much stress on the organization and leaders for singularity.

So, from front line executive positions to middle management positions and senior leadership positions, the pyramid narrows substantially and dramatically. And we also know that in each phase, the tenures could be 15 years, 15 years or 10 years as the case may be. The transitions across these three important phases of professional life are very critical. Transitions based on apex leadership traits, performance and potential is essential for someone to move into this CEO position.

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Singular Versus Collective: A Hybrid Model?

In the event that companies or groups fail to get a potential stalwart to succeed another stalwart, they could attempt to split the responsibilities amongst certain top positions and proceed to put in place a format of collective leadership. Under the model, there could be several options for delineating responsibilities.



How should the Indian groups respond to any failures in getting singular leaders in succession searches? The answer clearly lies in stretching the available organizational structures and talent pools.



Should we have a collective versus singular merged into a hybrid model. In the event that companies or groups fail to get a potential stalwart to succeed another stalwart, what is the option that would be available? Probably, they could attempt to split the responsibilities among such top positions and proceed to put in place a format of collective leadership.

Under the model, there could be several options for delineating responsibilities. One, if the collective leadership model is sought after in both letter and spirit; the entire senior leadership team or a very compact group from that senior leadership team, could be charged with the responsibility for operating the company. That is one very idealistic, altruistic method of leading a company, when there are issues of transition.

The other model could be one of Co-CEOs, it is a German twin leadership model for example; wherein two leaders have the same role being executed in collaboration with each other. It is not separation of responsibilities within a role, it is the same role that gets executed by two leaders together.

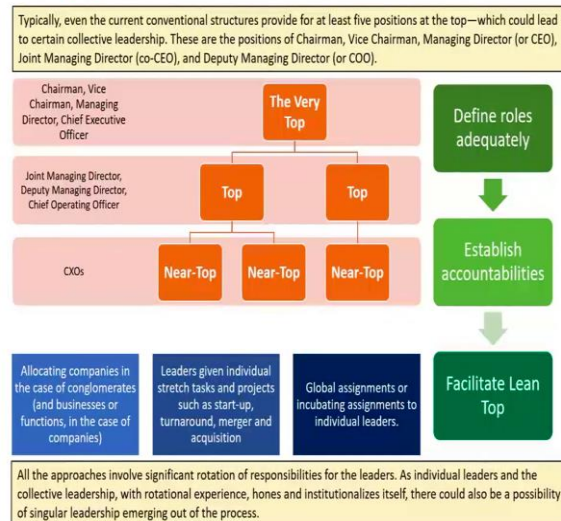
It could be a model of vertical hierarchy; a CEO-COO combination for example, or a Chairman-MD combination or even an MD and CEO combination. So, vertical hierarchy could substitute singular leadership model. You can also have a model of activist board of directors; regular monthly meets for example, can be organized.

So, complementary competencies, efficiency, cultural balance would be the drivers for looking at a hybrid model. How should the Indian groups respond to any failures in getting singular leaders in succession searches? The answer clearly lies in stretching the available organizational structures and talent pools.

The four options which I have outlined here are potentially workable solutions; they may not be workable for the long term all for the whole term of a potential new CEO, but they could act at least as very good bridge mechanisms, until their real singular CEO is selected after appropriate search mechanisms.

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Leveraging Roles



We could also leverage the roles that are available in the conventional organizational structures in the established organizational structures. As we know, the very top is chairman, vice-chairman, managing director, chief executive officer. At the top almost very close to the very top, we have joint managing director, deputy managing director, chief operating officer.

And near top, we have chief scientific officer, chief operating officer etc, that is the CXOs levels. We have so many positions which are available at the very top, which could be leveraged in such a manner that, there is a collective leadership with an appropriate clustering of responsibilities and companies, across these several top and very top positions. So, what could be done?

We could allocate companies in the case of conglomerates and businesses or functions in the case of companies. Leaders would be given individual stretch tasks and projects such as startup, turnaround, merger and acquisition based on the nature of the company and the business context.

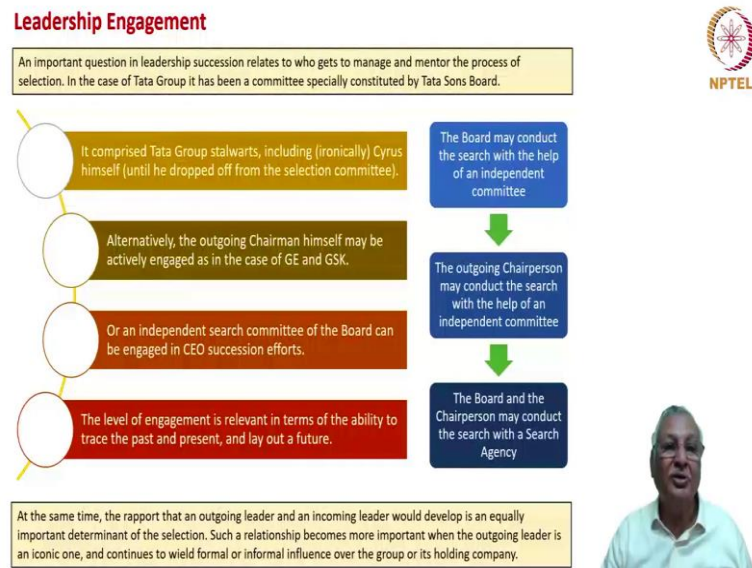
Global assignments or incubating assignments could be provided to individual leaders. So, someone in the top level could be asked to lead the globalization strategy for the conglomerate. Someone else at the near top could be asked to modernize the entire digital framework of the group.

Someone in the very top could take personal charge of strategic transformation of the conglomerate. So, there are several avenues in which these very top, top and near top positions could be leveraged to provide the strength of collective leadership, while providing the singularity of leadership for certain functions, initiatives or for certain companies.

To be able to do that, we should define the roles adequately, we should establish accountabilities and we should facilitate lean top. Facilitating lean top is not a kind of counter proposition to what I discussed; when it said that there are so many roles in the very top, and near top, it does not mean that all the roles will be available in all these companies or conglomerates and under all the circumstances.

Out of these very top, and near top roles maybe five to six roles could be functionally and strategically appropriate. And we are advocating this split of responsibilities and driving of initiatives within those six roles. All the approaches as above involve significant rotation of responsibilities for the leaders. As individual leaders and the collective leadership with rotational experience, hones and institutionalizes itself; there could also be a possibility of singular leadership emerging out of the process.

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Another important aspect in leadership succession relates to who gets to manage and mentor the process of selection. In the case of Tata Group, it has been a committee specially constituted by Tata Sons board. It comprised Tata Groups stalwarts, including ironically Cyrus himself until he dropped off from the selection committee, obviously for the reason of conflict of interest.

Alternatively, the outgoing chairman himself may be actively engaged as in the case of GE and GSK, which we discussed earlier. Or an independent search committee of the board can be engaged in CEO succession efforts. The level of engagement is relevant in terms of the ability to trace the past and present, and lay out a future.

The board may conduct the search with the help of a completely independent committee; the outgoing chairperson may conduct the search with the help of an independent committee; the board and the chairperson may conduct the search with a search agency. So, the number of options and routes are available for leadership to be engaged in the process of selecting a successor.

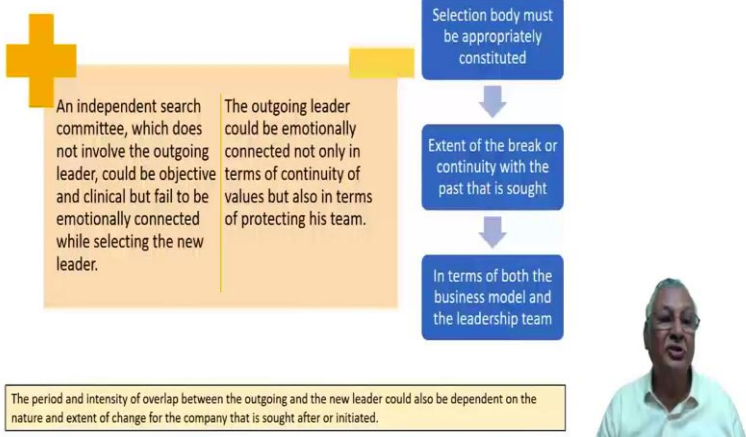

But at the same time, the rapport that an ongoing leader and an incoming leader would develop is an equally important determinant of the selection. Such a relationship becomes more important when the outgoing leader is an iconic leader, and continues to wield formal or informal influence over the group or its holding company, and his words

and actions are very much respected by the rest of the companies, even after moving out of a formal position.

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Nature of Engagement

If constitution of the search committee is an important step, how the search committee engages itself (within the committee and with all its sponsoring stakeholders) is an even more important process component.



An independent search committee, which does not involve the outgoing leader, could be objective and clinical but fail to be emotionally connected while selecting the new leader.

The outgoing leader could be emotionally connected not only in terms of continuity of values but also in terms of protecting his team.

Selection body must be appropriately constituted

Extent of the break or continuity with the past that is sought

In terms of both the business model and the leadership team

The period and intensity of overlap between the outgoing and the new leader could also be dependent on the nature and extent of change for the company that is sought after or initiated.

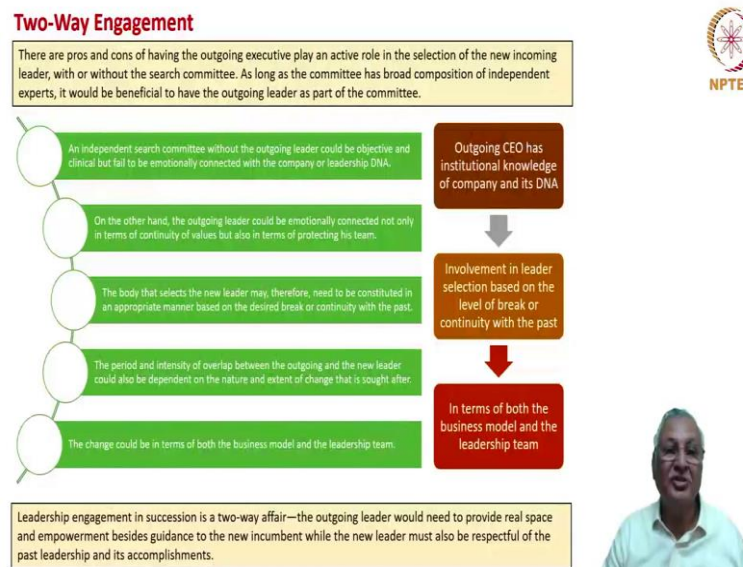
What should be the nature of engagement? If the constitution of the search committee is an important step; how the search committee engages itself both within the committee and with all this sponsoring stakeholders is an even more important process component. An independent search committee, which does not involve the outgoing leader, could be objective and clinical; but fail to be emotionally connected while selecting the new leader that is, that is an advantage, there is a disadvantage.

The outgoing leader could be emotionally connected not only in terms of continuity of values, but also in terms of protecting his team. Again an advantage and disadvantage of having the outgoing leader as part of the search process. So, independent search committee comes with the total objectivity and clinical approach hopefully; but it would fail to be emotionally connected.

The outgoing leader if he is thoroughly involved, could be emotionally connected; but could have a perspective of protecting his own team. Therefore, selection body must be appropriately constituted. The extent of the break or continuity which is sought with respect to the past is an important consideration.

And that should be expressed in terms of both the business model and the leadership team. The period and intensity of overlap between the outgoing and the new leader could also be dependent on the nature and extent of the change for the company that is sought or that is being looked at, that is being sought after or initiated.

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As I said, there are pros and cons of having an outgoing executive play an active role in the selection of the new incoming leader; whether the search committee exists or not, doesn't it exist. We also said that as long as the committee has brought composition of independent experts, it would be beneficial to have the outgoing leaders as part of the committee.

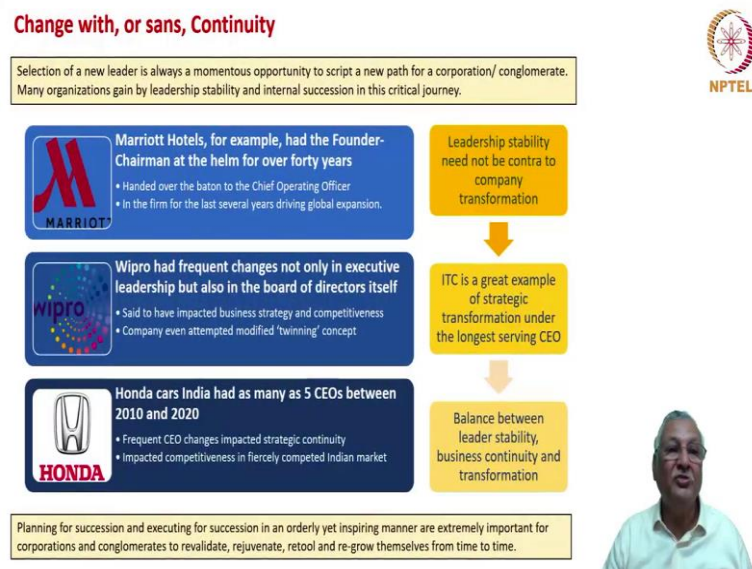
But what is important; whether the outgoing leader is part of the committee or not and whether the committee is independent or not, is the two-way engagement. There should be clear mandate that can be discussed by the search committee with the incoming leader and assess the response of the incoming leader to the mandate.

And this two-way engagement helps the search committee to understand the pros and cons of various potential leaders and come to a proper conclusion. And in this process of coming to a proper conclusion, the broad constitution of the search committee certainly helps; because several viewpoints can be brought to the fore and the most appropriate could be taken.

So, I would say that leadership engagement in succession is a two-way affair, where the outgoing leader would need to provide the real space and empowerment besides guidance to the new incumbent; while the new leader must also be respectful of the past leadership and its accomplishments. This process of two-way engagement must start taking place as part of the search process itself; it cannot magically start happening. After this leader is selected and is on boarded, it has to happen as part of the search process itself.

The chemistry, the rapport, the mutual understanding, the sharing of values, the sharing of the thematic proposition, joint ownership all of these things must be coming up as part of the two-way engagement, as the search process comes to a near conclusion. That is the tipping point towards success for any such process.

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Another important aspect is changed with or sans continuity. Selection of a new leader is always a momentous opportunity to script a new path for a corporation or a conglomerate. Many organizations gain by leadership stability and internal succession in this critical journey.

Marriott Hotels, for example, at the helm for over forty years. He handed over the baton to the chief operating officer only in the recent years; have been in the firm for the last several years driving global expansion, before the chief operating officer took the new bow.

On the other hand, Wipro had frequent changes not only in executive leadership, but also in the board of directors itself. Wipro happens to be one of the most unstable companies unfortunately as part of the information technology industry of India. While Wipro continued to do very well and is certainly the top IT company even now, it lost its top three ranking, because of the changes in the executive leadership and also even at the board level.

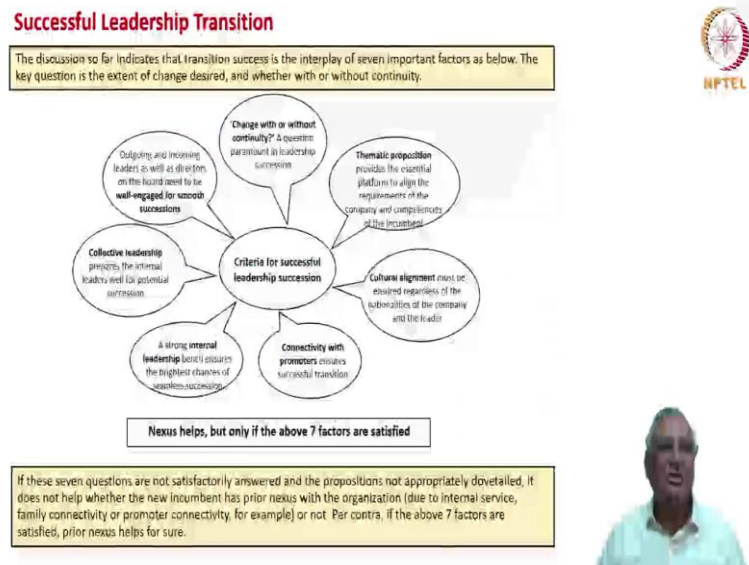
This has impacted the business strategy and competitiveness unfortunately and the company also tried out the modified twinning concept that also did not work out. So, there is something beyond what is visible in managing leadership transitions at the very top. How to combine change with continuity is always the litmus test for a successful leadership transition.

Honda Cars India had as many as 5 CEOs between 2010 and 2020 and the frequent CEO changes impacted strategic continuity; it also impacted competitiveness in fiercely competed Indian car market. Leadership stability need not be contra to company transformation; it is wrong to assume that companies cannot be transformed, if leaders stay in their positions for long.

We have considered enough in the previous lectures to say that; at least a 10 to 15 a year term is advisable for a CEO to be given the opportunity to grow the company substantially. ITC is a great example within our own country of strategic transformation under the longest serving CEO, Y C Deveshvar. Balance between leader stability, business continuity, and transformation is a board task.

The CEO should actively contribute to the engagement; but it is a board task to balance leader stability, business continuity, and transformation at the very apex level. Planning for succession and executing for succession in an orderly yet inspiring manner are extremely important for corporations and conglomerates. This helps to revalidate, rejuvenate, retool, and re-grow the company as well as the leadership from time to time.

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What are the markers of successful leadership transition? The discussion so far indicates the transition success is the interplay of seven important factors as below. The key question is the extent of change desired and whether that change is desired with or without continuity.

I will go through each of the factors in detail; one, first change with or without continuity, this must be the question that is paramount in leadership succession and that depends on the business context as well as the company context. Second thematic proposition, what kind of strategic thematic proposition that the search committee or the outgoing CEO have for the new incumbent.

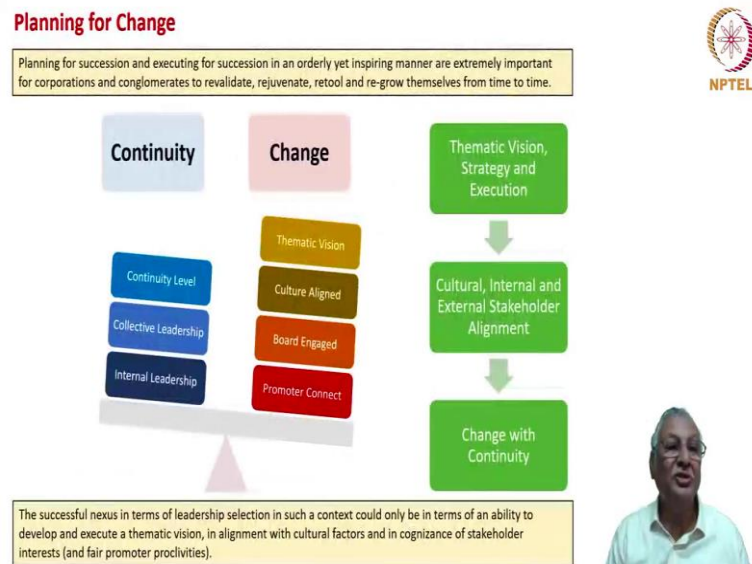
This provides the essential platform to align the requirements of the company and competencies of the incumbent in an orderly fashion. The third and very important factor is cultural alignment; that must be ensured regardless of the nationalities of the company and the leader. Connectivity with promoters is pretty helpful; it ensures successful transition, this happened in respect of Flipkart and Myntra as well, as we discussed in one of the earlier cases.

A strong internal leadership bench ensures, the brightest chances of seamless succession. Collective leadership prepares the internal leaders well for potential succession. And finally, the outgoing and incoming leaders as well as directors on the board need to be

very well engaged for smooth successions. These are the seven criteria, which the boards and the CEO must follow as criteria for a successful leadership succession.

Nexus helps in this process, but only if the above 7 factors are satisfied. If these seven questions are not satisfactorily answered and the propositions are not appropriately dovetailed, it does not help whether the new incumbent has prior nexus with the organization and such nexus could be due to internal service, family connectivity or promoter connectivity for example, or not. Per contra, if the above 7 factors are satisfied, prior nexus helps for sure.

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Planning for change involves, planning for succession and executing for succession in an orderly yet inspiring manner. This is extremely important for corporations and conglomerates to revalidate, rejuvenate, retool, and re-grow themselves from time to time.

As far as continuity is concerned, because some level of continuity will still be maintained by the new incumbent; the board must assess the level of continuity that is being maintained, whether the new incumbent is looking at collective leadership and whether the new incumbent is promoting internal leadership as part of the continuous leadership development process.

And as we discussed, change is inevitable, whenever we take a new leader on board. Under such circumstances, the boards must evaluate whether the thematic vision which was offered as a value proposition is being implemented; whether the culture is aligned in actual practice, whether the board itself is being taken into confidence by the new incumbent.

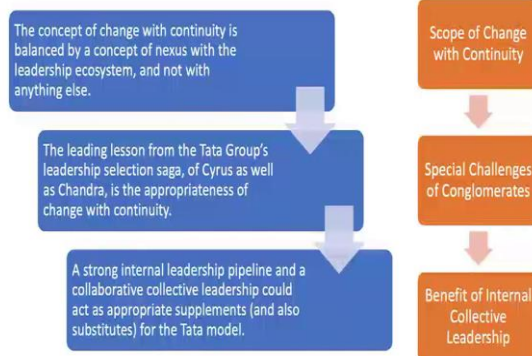
And what are the frameworks that could be put in place additionally to ensure CEO board engagement and what is the connect with the promoter that the new entrant is maintaining, these are extremely important. Thematic vision, strategy and execution, cultural alignment, internal and external stakeholder alignment; change with continuity all of these things are bundled together in an overall construct of leadership transition.

The boards and the CEO must be conscious of how they are responding to and how they are actually implementing these change factors and continuity factors. The successful nexus in terms of leadership selection in such a context could only be in terms of an ability to develop and execute a thematic vision in alignment with cultural factors and in cognizance of stakeholder interest with fair promoter proclivities.

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Lessons from Tata Group Leadership Transition - 1

In leadership transitions, a visible mark of potential backed by a proven record of success could strengthen the new leader's ability to put his or her stamp on the corporation's growth path.



The composition of and the role played by the selection committee could shape the focus and the forces of change in leadership succession in an influential manner that the outside world may not be able to perceive.



What are the lessons we can have from the Tata leadership transition? Success from success, in leadership transitions a visible mark of potential backed by a proven record of success could strengthen the new leader's ability to put his or her stamp on the

corporation's growth path. The concept of change with continuity is balanced by a concept of nexus with the leadership ecosystem, and not with anything else.

The leading lesson from the Tata Group's leadership selection saga, of Cyrus as well as Chandra is the appropriateness of change with continuity. A strong internal leadership pipeline and a collaborative collective leadership could act as appropriate supplements and substitutes for the Tata model.

So, what is the scope of change with continuity, what are the special challenges of conglomerate positioning, and what are the benefits of internal collective leadership, these all must be continuously weighed in by the outgoing leader as well as the incoming leader and the boards.

The composition of and the role played by the selection committee could shape the focus and the forces of change in leadership succession in an influential manner that the outside world may not be able to perceive. More than the board itself therefore, the search committee has got a crucial role in shaping this leadership transition towards success; but that role is not usually visible for the external public.

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Lessons from Tata Group Leadership Transition - 2

In less than five years after Cyrus Mistry took over as the Chairman of Tata Group from Ratan Tata, who was at the helm of the Group for over two decades, Cyrus had to face separation.

The nexus in terms of extended family connection as well as shareholding and board membership in Tata Sons apparently did not help Cyrus remain in the position.

Having prior nexus didn't work

Several factors are necessary to be in place for leadership succession to be successful, more so when succeeding an iconic leader with strong continuing influence.

Having a different strategy didn't work

In the case of the Ratan Tata-Cyrus Mistry succession, the required factors (discussed earlier) seem to have been either misapplied or applied only in a half-hearted manner.

Transition success factors misapplied?

While Ratan Tata scripted an ambitious globalization plan for the Group with aggressive acquisitions, Cyrus began a consolidation plan that aimed at reducing the high debt levels, divestment of non-performing assets, organic growth in established sectors, push into infrastructure and defence, and entry into new sunrise areas.



We have seen earlier what are the success learning's that come out of leadership transition successes. Here we will look at the learning's from the apparent failures in leadership transitions. So, in less than five years after Cyrus Mistry took over as the

chairman of Tata Group from Ratan Tata, Cyrus had to face separation. Why did it happen?

Probably several factors that were not necessary to be in place for leadership succession; but several factors, which are necessary to be in place for leadership succession did not pan out the way they should have panned out. And that is particularly true, because Cyrus succeeded an iconic leader with strong continuing influence.

In the case specifically of the Ratan Tata, Cyrus Mistry succession, all these seem to have been either misapplied or applied only in a halfhearted manner. Having prior nexus did not work; having a different strategy did not work; transition success factors got misapplied and these cumulatively led to failure in leadership transition.

While Ratan Tata scripted an ambitious globalization plan for the group with aggressive acquisitions, Cyrus began a consolidation plan that aimed at reducing the high debt levels, divestment of non-performing assets, organic growth in established sectors, push into infrastructure and defense, and entry into new sunrise areas, it was a plan alright. But it sought also to roll back much of the strategic growth and strategic expansion, which the previous leadership tried to achieve so successfully.

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Lessons from Cyrus Steps

It was not a matter of financials either. The Group revenues under Cyrus (over USD 110 billion annually) and profits grew by around nine per cent each annually while market capitalization grew at a pace faster than the Indian stock market average (54 per cent versus 33 per cent of the BSE index). There were strong views on what went wrong.

Cyrus did not have a good enough vision and pursued a policy of cutting down to grow

- Upset the governments that supported globalization
- Upset the alliance partners who expected continued collaboration



Major decisions were taken without informing or consulting the Tata Sons Board in depth

- Acquisition of Welspun renewable energy business by Tata Power
- Sale of urea business by Tata Chemicals
- Closing down of Tata Steel plants in the U.K
- Fighting of a legal battle with DoCoMo

Cyrus Vision 2025 for Tata Group did not gain the acceptance of Tata Sons Board

- Delay in presentation of plan
- Reduction of portfolio size
- Inadequate financial details
- Excessive dependence on TCS

Clearly, various factors were at play. These related to strategy reversal, execution reversal, and image reversal that were the major components of Cyrus Mistry's new strategy. In doing so, the ability to support Tata Trusts (as the major shareholders of Tata Sons) fulfill their social commitments also seem to have got impacted.



There are certain lessons from Cyrus steps; failures or apparent failures in leadership transitions do not occur, because only of financial issues. In fact, the Tata Group

revenues under Cyrus Mistry were healthy. The revenue was about US dollar 110 billion and profit was commensurate, both were growing at around nine percent each annually. Market capitalization grew at a pace faster than the Indian stock market average, 54 percent versus 33 percent of the BSE index.

What exactly happened, what exactly went right or wrong would probably be never known to external advisers and external analysts. But there are still some strong views on what could have gone wrong in public domain. Firstly, Cyrus did not have a good enough vision and pursued a policy of cutting down to grow.

This has upset the governments that supported the globalization plans of Tata Group. It also has upset the alliance partners who expected continued collaboration. Major decisions were taken without informing or consulting the Tata Sons board in depth. There were four cases that were flagged; acquisition of Welspun renewable energy business by Tata Power happened without due board consultation, sale of urea business by Tata Chemicals in a similar manner.

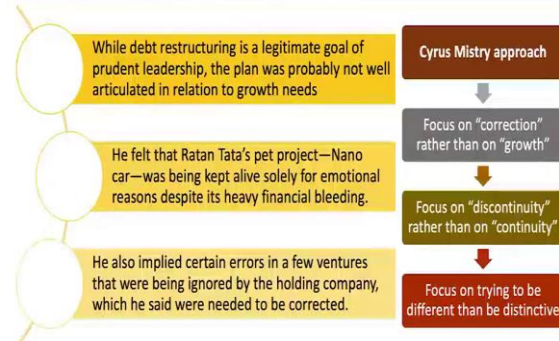
Tata steel plants getting closed down in the United Kingdom, and the fighting of a legal battle with the DoCoMo. The Tata Sons board claim's that, it has not been duly informed or such matters of strategic import were not duly discussed. Cyrus vision 2025 for Tata Group did not gain the acceptance of Tata Sons board; there was a delay in preparation of the plan.

There was a reduction of portfolio size that was proposed as part of the plan; there were inadequate levels of financial details, and there was excessive dependence on TCS in the plan. Clearly various factors were at play; these related to strategy reversal, execution reversal, and image reversal that were the major components of Cyrus Mistry's new strategy. In doing so, the ability to support Tata Trust as the major shareholders of Tata Sons and allowing them to fulfill their social commitments also seem to have got impacted.

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Lessons from Cyrus Reversals

Cyrus Mistry, on the other hand, claimed that he inherited a legacy of huge debt and that he had to take painful decisions to restructure for sustenance of the Group. Cyrus's leadership tone was inscrutable externally, silent organizationally, and probably discordant at board level.



Although there seems to be a strong financial colour to the dissonance, the real reasons for the split could be thematic and cultural. Even in the case of certain disagreements pertaining to governance and capital strategy publicly aired by Infosys founders and the Infosys board, theme and culture seem to be the key drivers of discord.



So, lessons from the Cyrus reversals probably are as follows, although Cyrus Mistry claim that he inherited the legacy of huge debt and that he had to take painful decisions to re-structure for sustenance of the group. Cyrus's leadership tone was inscrutable externally, silent organizationally and probably discordant at board level.

While the legacy of huge debt may have required him to take painful decisions; the logic and the potential benefits were probably not well understood and fully articulated. Cyrus Mistry felt that Ratan Tata's pet project Nano car was being kept alive solely for emotional reasons despite its heavy financial bleeding, probably he had a point there.

He also implied certain errors in a few ventures that were being ignored by the holding company, which he said that were needed to be corrected. But if you look at these things together, Cyrus mystery approach was more one of focus on correction, rather than on growth. The focus was more on discontinuity, rather than on continuity; and focus was on trying to be different than be distinctive.

Although there seems to be a strong financial color to the dissonance; the real reasons for this split could be thematic and cultural. Even in the case of Infosys, where certain disagreements pertaining to governance and capital strategy cropped up between the Infosys founders and the new reconstituted Infosys board, theme and culture seem to be the key drivers of dissonance.

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The Contrasting Leadership Styles

Fundamentally, Ratan Tata and Cyrus Mistry, when at the helm, were contrasting leadership personalities. Ratan Tata was an iconic leader who exuded wisdom and confidence as well as extraversion. Cyrus was little known, introverted, and needed performance to back him up.



Ratan Tata was articulate, networked externally, and positioned himself well with national and international governments



Cyrus Mistry was reticent, reclusive externally, unmindful of causing discomfiture to governments, and allowed others to lead from the front



Ratan Tata led from the front to secure prestigious global collaborations and M&A deals



Although he took major decisions of course-reversal, he was unwilling to articulate such decisions (and their implementation) from the front.



Recipient of two of the highest civilian awards of India, the Padma Vibhushan (2008) and Padma Bhushan (2000). Many International Governments and Institutions also bestowed high honours on Ratan Tata.



This has obviously cost the Group in terms of its image (in terms of Corus closures in the UK and Tata NTT DoCoMo legal battles, for example).

Leadership personality and connected leadership are vital to establish authenticity to leadership. Unlike Ratan Tata, Cyrus Mistry has probably not been as engaging and influencing a leader internally and externally. Any strategy is only as good as its advocacy and its execution. This itself is a test of leadership mettle.



How do leadership styles impact leadership succession? Let us look at the contrasting leadership styles. Fundamentally Ratan Tata and Cyrus Mistry, when at the helm, were contrasting leadership personalities. Ratan Tata was undoubtedly an iconic leader, who exuded wisdom and confidence as well as extraversion. Cyrus was little known, introverted, and needed performance to back him up to higher levels.

Specifically, Ratan Tata was articulate, networked externally and positioned himself well with national and international governments. He was a widely travelled steward of the Tata Group. Cyrus Mistry in contrast was reticent, reclusive externally, and was unmindful of causing discomfiture to governments and allow others to lead from the front.

Ratan Tata in contrast led from the front to secure prestigious global collaborations and M&A deals. Although Cyrus Mistry took several major decisions of course reversal, he was unwilling to articulate such decisions and their implementation from the front. Ratan Tata recipient of two of the highest civilian awards of India, the Padma Vibhushan in 2008 and Padma Bhushan in 2000 was truly an icon and legendary leader.

Many international governments and institutions also bestowed countless high honors on Ratan Tata, is obviously was a great act for Cyrus Mistry to repeat. But where Cyrus Mistry could have probably scored had he put his mind, heart and soul into it was a clear articulation of the change, which he is trying to bring in and having the by in of the

promoter group, by in of the board, and by in of the key companies into the transformation plan.




It was not sufficient just to be distinct; it was required to be distinctive. It was not just sufficient to consolidate or reduce, it was also necessary to continue to grow. And probably that could have made the difference; in the case of Tata DoCoMo also is an example. This kind of approach of trying to correct or cutting down to grow or moving away from the alliances has caused the group in terms of the image.

Corus closures in the UK and Tata NTT DoCoMo legal battle are couple of examples. Leadership personality and connected leadership are vital to establish authenticity to leadership. Unlike Ratan Tata, Cyrus Mistry has probably not been as engaging and influencing a leader internally and externally. Any strategy is only as good as its advocacy and its execution. This itself is a test of leadership mettle.

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Extraordinary Leadership Challenges

Iconic leadership emerges when apex leaders face unprecedented, unexpected and extraordinary challenges. J R D Tata and Ratan Tata faced such extraordinary constraints and challenges while N Chandrasekaran is facing some unprecedented times. In contrast, Cyrus Mistry faced only challenges in the course of ordinary business.

 J. R. D. Tata <i>Chairman 1938-1991</i> Faced highly regulated regime Nationalization of Air India Economic and civil environment adversely impacted by wars	 Ratan N. Tata <i>Chairman 1990-2012</i> Faced global competition related to opening up of Indian economy Faced global economic meltdown Deep recession in Industrials	 Cyrus Mistry <i>Chairman 2012-2016</i> Adverse steel demand cycle	 N. Chandrasekaran <i>Chairman From 2016</i> Adverse impact of Brexit US-China trade war Covid-19 triggered massive global and Indian economic contraction
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Leadership lies in facing unprecedented and unexpected challenges and leading the firm on sustainable and viable growth, being unwavering in the pursuit of long term vision but also making agile course corrections as required.

So, whenever leaders undergo transition or whenever conglomerates undergo transition, whenever one leader moves out and another leader takes over; there are extraordinary leadership challenges that could emerge. Iconic leadership emerges when apex leaders face unprecedented, unexpected and extraordinary challenges.

JRD Tata and Ratan Tata faced such extraordinary constraints and challenges; while N Chandrasekaran is facing some unprecedented times. In contrast, Cyrus Mistry faced

only challenges in the course of ordinary business. JRD Tata, when he was chairman between 1938 and 1991, faced a very highly regulated licensing regime.

The regime was also marked by nationalization of air India, his pet corporation, which he grew with lot of emotion, love and professional rectitude as well as professional competence, that was a severe blow. The economic and civil environment was adversely impacted by wars during this period of 1938 and 1991.

We can therefore, imagine the Tata Group under JRD Tata and JRD Tata as a leader, faced extraordinary constraints and the enormous challenges; yet, he succeeded in building group into a formidable conglomerate respected not only in India, but abroad.

Ratan Tata took over as chairman in 1990 and was the chairman till 2012. He faced enormous global competition related to opening up of Indian company. Each of the companies could have been under serious threat of global competition or even takeover. He also faced global economic meltdown in 2008 to 2010 period. There was deep recession in industries during his tenure.

Yet, he came up a very successful diversifying the group, globalizing the group and driving revenues and profits aggressively; while also protecting the promoter interest, deepening the relationships between the holding company, and the group companies substantially.

Cyrus Mistry while he was chairman between 2012 and 2016, he faced adverse steel demand cycle and that has probably led him to think of divestment of the European assets of Tata Steel.

N Chandrasekaran, Chairman from 2016 and of course, continuing. He faced the adverse impact of Brexit, he has faced the adverse impact of US-China trade war and the most striking and also the most difficult challenge and constraint of COVID 19 triggered massive global and Indian economic contraction, that is getting played out during Chandra's tenure.

Leadership lies in facing unprecedented and unexpected challenges and leading the firm on sustainable and viable growth, being unswerving in the pursuit of long term vision,

but also making agile course corrections as required. That is the opportunity of leadership.

Extraordinary challenges for leaders must produce extraordinary performance profiles; that is how great leaders, iconic leaders, and legendary leaders get distinguished and differentiated from other leaders. That also use the litmus test of orderly and successful leadership transition.

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The Enigma

The succession enigma of Tata Group has probably more that is not disclosed than disclosed. It has also moved away from a case of leadership and succession model to a legal case of fighting in National Company Law Tribunal, National Company Law Appellate Tribunal and Supreme Court, which is not germane to this discussion on leadership. It is good the SP Group (to which Cyrus Mistry belongs) signalled its intention to move out of the Tata Group. The contours of the likely valuation settlement are still in the making but hopefully will be resolved soon.

The success of Tata Group's leadership transition from J R D Tata to Ratan Tata

Events at Tata Group demonstrate that change with continuity is a viable succession model...



The failure of the subsequent transition from Ratan Tata to Cyrus Mistry

....as long as the positive features of the legacy are preserved and grown

....while the negative features are remediated and corrected.

The smooth start of the recent Chandra succession

Each leader involved in succession brings his or her own leadership approach but certain common growth vectors sustain. The Tata Group leadership succession experience also demonstrates that nexus is an added advantage only if all the other enabling positive influencers as discussed in this lecture (and the previous one) are in place.



So, the enigma still remains; the succession enigma of Tata Group has probably more that is not disclosed than disclosed. It has also moved away from a case of leadership and succession model to a legal case of fighting in the National Company Law Tribunal, National Company Law Appellate Tribunal and Supreme Court.

These developments are not germane to our discussion on leadership. As I said in the beginning, it is not about what has gone right or what has gone wrong from a legal perspective; the discussion has entirely been only with the view of developing insights and constructs relevant for leadership transitions and for furtherance of knowledge in the leadership domain.

Anyway looking at what has been happening of late, it is good that the SP group to which Cyrus Mistry belongs has signaled its intention to move out of the Tata Group.

The contours of the likely valuation settlement are still in the making, but hopefully will be resolved soon.

This should help both the Tata Group and the SP group grow without mutual shadows impacting their respective strategies or their respective ways of working, and without the constraints of any battles, legal or otherwise in any domain. We have to take lessons from the succession sagas that have happened at the Tata Group.

We should take lessons from the successes that have visibly happened and also certain lessons from the not so successful transitions. The success of Tata Groups leadership transition from JRD Tata to Ratan Tata has been impeccable and it is something which is worthy of note, and particularly because it is also backed by ten factor leadership model that has a very sound strategic framework, which also produced results.

The failure of subsequent transition from Ratan Tata to Cyrus Mistry must also be understood from the point of view of various factors which we discussed, such as the thematic proposition, the cultural alignment, the search committee engagement process and Cyrus Mistry's own personality and leadership style and so on.

And we should also take queues from this smooth start and continuing development of the recent Chandra's succession. Events at Tata Group demonstrate that change with continuity is a viable succession model. As long as the positive features of the legacy are preserved and grown; while the negative features are remediated and corrected.

Each leader involved in succession brings his or her own leadership approach, but certain common growth vectors sustain. The Tata Group leadership succession experience also demonstrates that nexus is an added advantage only if all other enabling positive influencers as discussed in this lecture and the previous one are in place; that is the biggest and most important lesson from the succession sagas at Tata Group, which we have discussed in the previous lecture as also in the current lecture.

Thank you.