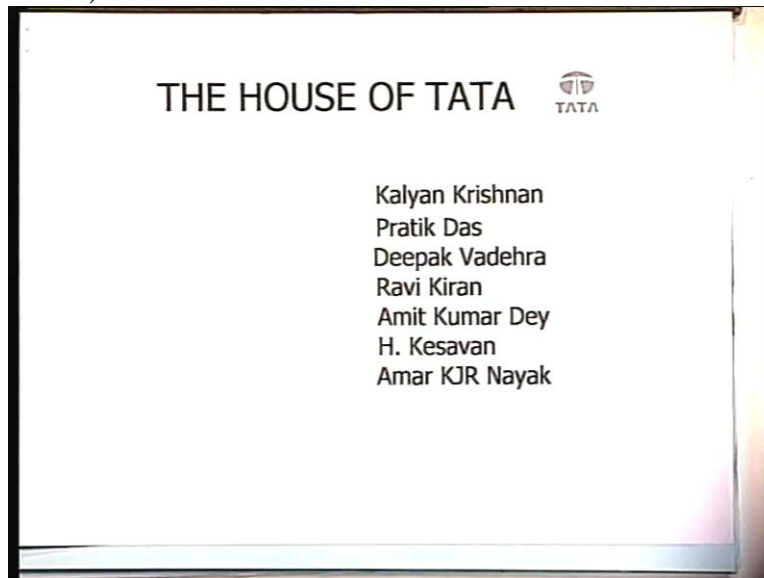


Strategic Management
Prof. Kalyan Chakravarti
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture No. 10
Case Study: The House of Tata
Group Presentation-I
Group Presentation-II

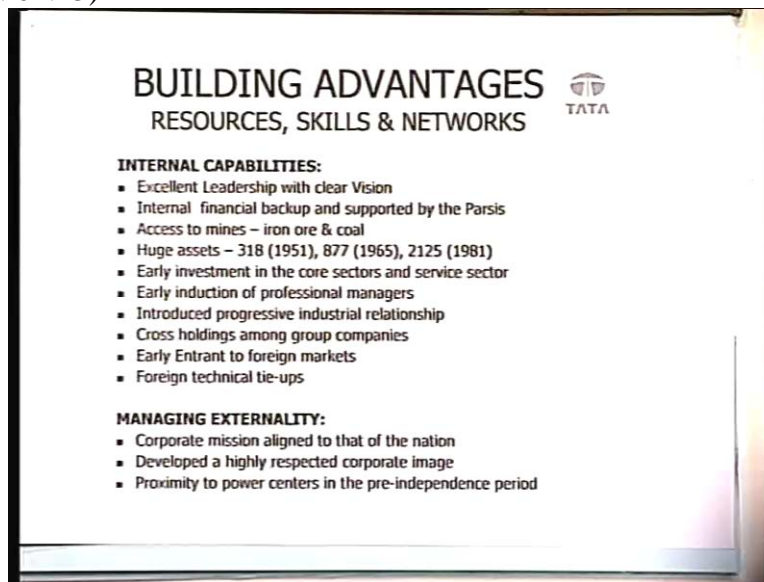
Okay. Yes Amar. Thank you very sir for giving me this chance to speak to the class and I hope I will do some justice to this presentation. But as you can see this is the... You have to hold it close Amar otherwise it won't be recorded. Okay. So this is the group on behalf of whom I am going make this presentation.

(Refer Slide Time: 01:19)



The House of Tata. But it is it is one wonderful case in the sense that it is you can understand a lot of strategy through something like this because it has operated for about a hundred years and it has had visionaries and excellent leaders, you have seen through the case. There are many excellent leaders in the company with a certain clear-cut vision, which goes with the interests of the nation. So it is more of an analysis, it is more of analyzing advantages of this company-how did they build these advantages, how did they extend these advantages and what problems did they face during the course of time and how did they reorganize these advantages in the recent past. So let us look at the first point that is how did they go about building advantages.

(Refer Slide Time: 02:13)



When I, when we say advantages, we mean resources, skills and networks-how did they build these advantages. There are of course always two areas, that is, internal capabilities and managing externality. In the internal capabilities, you will see that actually they had excellent leaders, leadership with clear vision-all the three Jamshedji, JRD and Ratan Tata and there are many of the leaders within the company. The internal financial back up, it was very strong. They started by selling some of their assets in the beginning from nineteen seven where they invested in Tata steel of which they have got some money from the market but at least eleven percent was their own money. Of course they were very well supported by the Parsi community as well. So, that was a very important resource strength-internal capability.

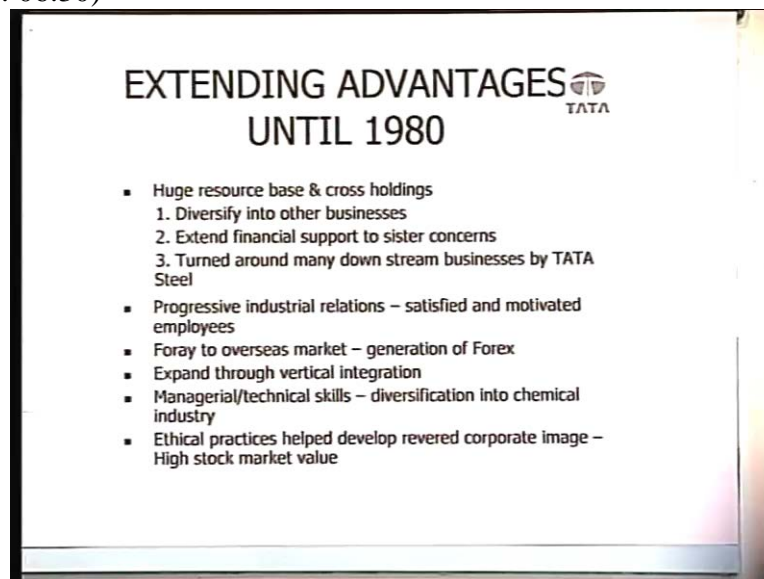
They of course built, have access to mines, iron ore and coal; again, very rich resource. They had huge assets they built over period of time, that is given in the case. They had three hundred eighteen million dollars in nineteen fifty-one, eight seventy seven million dollars in nineteen sixty-five and two thousand one hundred twenty five millions dollars in nineteen eighty one-huge growth in the asset base which is again internal strength. Well, they also went into very early investment in the core sectors and service sectors. Core sectors, you know, hydroelectric power, they went into the steel industry; also into some of the other core sectors. In the service sectors, airline was one of their early investments and they also had early induction of professional managers. Unlike family run houses, business houses in India, they were the first ones to induct professional managers from outside, expertise from outside and they took hold of it. They were controlling the management of the business.

They also introduced progressive industrial relationship with which again given in the case that they the policies that they introduced in the company were were they had all and the given steel industry but considering the case. Again very interesting: cross holding among group companies. Again it is a very strong strength that they can derive from each other by sharing their assets, their networks and they whenever they have a problem, sister companies were obviously funded by the cash power cash rich companies.

Early entry to foreign market: that is not the case that they could establish network in the foreign market, which they have used it in the recent past. You can see that this year they have, this quarter they have made very huge profits, huge turnover in in the export business and of course their technical tie-ups, very strong technical know-how which is becoming the key of success in today's business, your technology your technological capabilities. Well this is the internal capabilities. Besides that the managing externality which professor just mentioned in the beginning of the class, the corporate mission is very important. Corporate mission is also important because it is aligned to that of the nation. Whatever the nation was putting as this vision the corporates took this mission vision as that, that is to build a strong nation; so, invest in core sectors.

Developed a highly respected corporate image: very very valuable that in the year ninety seven they could generate money from the public because of this trust that they could build with the public. Thus they could start the steel factory with that. Of course they had proximity to power centers in the pre-independence period. You see that these are the are the business plan that has, Bombay plant that was designed after the within the nineteen fifties. They they could decide what should be the externality for themselves so they they could impress the political power. Now building these advantages over some period of a time they did extend these advantages. Then we have seen two different periods: regulated period and and free market period.

(Refer Slide Time: 06:30)

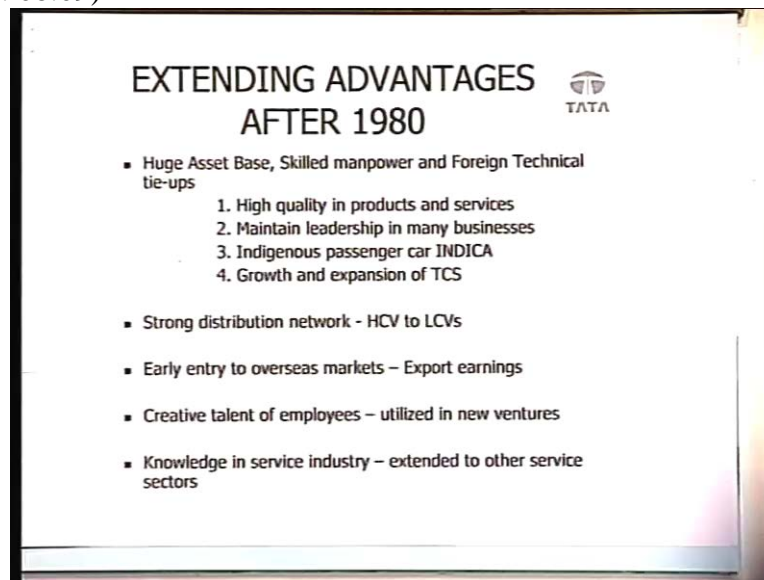


So we have seen in two areas. Until nineteen eighty how did they extend these advantages? Huge resource base and cross holdings was used to diversify into other businesses. Also the license raj was also a reason for diversifying into other businesses. They extended financial support to sister concerns which were having problems. They turned around many downstream businesses by Tata steel. So all these issues are mentioned in the case. The progressive industrial relations which which they implemented helped to build satisfied and motivated employees and they didn't lose employees because of that. So they could retain all the knowledge base that employees learn within a company and that was it; that that is extending an advantage. Foray to overseas market led to generation of huge amounts of forex for themselves and which also had

gained a good image with the government because that was a source, to give foreign exchange for the government for country. Then they expanded through vertical integrations, several examples are there. You can see the steel industry they have highly invested along the vertical integration.

Managerial and technical skills, diversification into chemical industry: because of just Mr. Seth, Darbari Seth, they they went into specially the chemical industry, chemical business, which is again cited in the case. The ethical practices helped develop revered corporate images. That is what I said by saying that they could demand or they could have high stock market value in the industry. Now in the post nineteen eighty period what how did they go about?

(Refer Slide Time: 08:09)

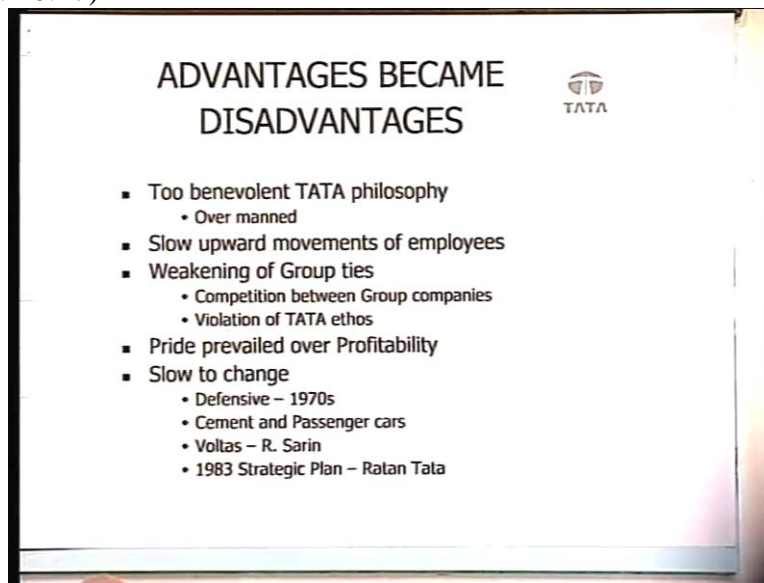


The huge asset base, skilled manpower and technical tie-ups helped them to have high quality in products and services; again a very good competitive advantage. And they maintained leadership in many businesses because of such asset bases, such advantages. The indigenous car, a passenger car INDICA, again this is very very very unlikely of an Indian company to have a product which is completely, a product like a car to be completely indigenized. Because of the because of their advantages in other areas they could achieve that. Growth and expansion of TCS is another extension of their advantages. It is also said in the case the strong distribution network brought high commercial, heavy commercial vehicle was used to sell light commercial vehicles and in a year their sales was more then all the competitors together. So you can see some advantage was again extended to benefit in other businesses.

Early entry to foreign overseas markets, export earnings are high-that we have already discussed. Again they they did this in the nineteen eighties and very very comes out very clearly in the recent in in the last quarter where they have done extremely well in the export of steel. Creative talent of employees were utilized in new ventures that is that is when when there were so many people, so many talented people who who could be retained in a company and they were well utilized after nineteen ninety one when they went into many other new areas. Knowledge in service industry was extended to other service sectors. Obviously if they are going into retailing

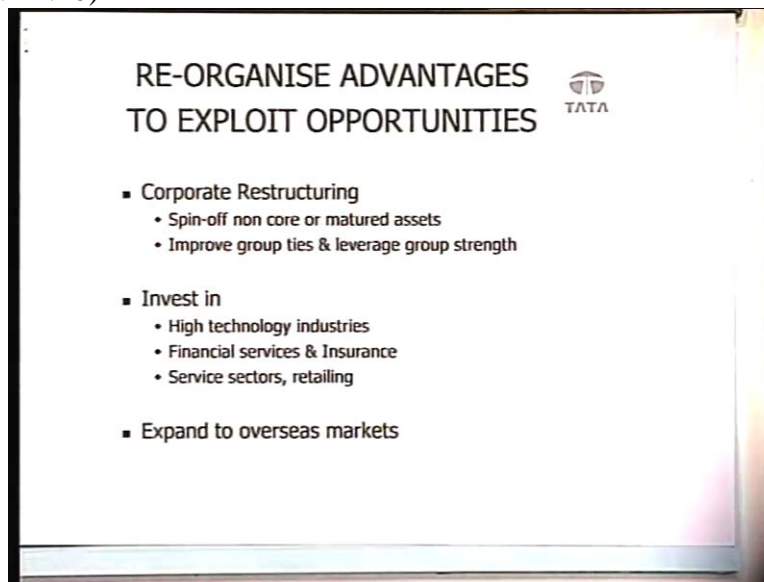
now, which is of course not mentioned in the case, but as we all know that is take Tata InfoTech, a popular case that you know and you see that they are even extending these advantages in in the recent times and at least they have been extending this over a long period of time. Are you watching the clock? One more minute. You have one more minute. I will give you extra minute. Okay. So the the advantages never remained as advantages sometimes become disadvantages with time because externality keeps changing.

(Refer Slide Time: 10:17)



So Tata benevolent, too benevolent Tata philosophy like over-manning of the company and it had problems post nineteen ninety-one. The company, the directors maintained they stayed in the company for longer time and they then that kind of demotivated people down below. Weakening of group ties: we have seen that. It happened before nineteen ninety one, Ratan Tata came in and started saying that that they should have strong ties but that made the competition between the group companies and also some of them violators some of the managers violated Tata ethos, pride prevailed over profitability. When they want to shutdown textiles many of the executive have that they shouldn't and they they have the kind of gave more importance to the pride of Tata group as a whole than looking at profitability part. And of course they were slow to change, they were defensive in nineteen seventies, cement and passenger cars-they were late, Voltas-when R Sarin came in he was not accepted in the company, there was there were lot of problems, he had to leave finally, nineteen eighty three strategic plan of Ratan Tata was also not accepted. It was kind of rejected which later on of course, seeing the problems they had to reorganize their advantages and that is what they have been doing as given in the case which Ratan Tata started on nineteen eighty three and subsequently in nineteen ninety one his plans they started reorganizing these advantages to again exploit the changing environment.

(Refer Slide Time: 11:40)



Corporate restructuring: in this to spin off non-core or matured assets like the textile business and other non profitable business, improve group ties and leverage group strength, again Ratan Tata emphasized on this and they have gone onto invest in certain areas like high technology industries, financial services and insurance, service sectors and retailing. And of course we also propose that they should expand their overseas market, just not export but grow into manufacturing, they could use third country parameter as a means to expand their international business.

For instance they can have they could have a plant in say Malaysia or or similar country in Indonesia to target Japanese market or they have they can have plant in China and target Japanese market. They can have plant in South America and target American markets. So that is the third country parameter strategy, which they can use just for export but extend a vertical integrate along this manufacturing activities. So that is about the case and thank you very much.

We have five minutes for penetrating questions. To my mind the house of Tata is not just any old case, it is inextricably tied up with the industrialization of this country, the industrial development. So I expect you to ask good questions. It is not just any case. Yes? You have mentioned in the last slide about it is corporate restructuring and you said that they could spin off some non-core or matured assets. They have not applied thus that is. Now, in the case of Tata what exactly can we classify as non-core? Non-core in the sense that their focus, Rata Tata has given in the case, they have been focusing on high technology products. The products which are not high technology-oriented, which can be duplicated, copied by competitors is a non-core product for them. Any other questions? Is competition within group companies always a disadvantage? Competition between group companies is not a disadvantage when the whole market is highly competitive. It gives lot of channels to improve it but when the environment is not competitive, it is some kind of, you can maintain a certain amount of stability on prices and reduce your managerial capabilities into trying to solve problems between the companies. So it is an advantage and disadvantage depending on the external environment. Probably today or maybe ten years down the line, group competition is what would be required. In fact in the Japanese

industry, going out of the case, there is a huge amount of competition between middle level automakers, there is a huge amount of competition within within Japan but when they go out, because of the competition in-house they can compete very well outside. Any other questions?

This is regarding the present state of Tata group. Just for the addition a kind of addition towards high technology is it hindering their growth? Like they are into particularly in telecom sector, they are into different competing technologies, which are competing each other, so is it really helpful? Like what? What is competing with each other?

In the in the mobile telephone market they have they have two technologies which are competing worldwide. Tatas has the presence in both the technology in India so is it a virtual strategy to follow? Yeah it is a, you could be reading in marketing that you have you try to block the range of products. So if if you are not able to capture some customers on this range you are able to customer from the other. So, it is it is a very well-practiced strategy. Yeah, one last question. We can discuss that right at the end. Yes. You said exporter in steel that you were talking about. I guess it is an industrial phenomena rather than a company one because China's demand has been so huge that even the sick industries like ISPAT and ESSAR they have shown growth. From red they have come back to black. It is not a I don't think it is a company specific slant; it is just a cycle in the industry. You are correct in the sense that both SAIL and Tata's have done extremely well. It may be industry phenomena but had they not been in this business, had they not been built this capability they would not have used the advantage that the market offers to it. ISPAT and... Well that is not in the news. Can we can wrap up this because otherwise it will go on and on. We will reserve your questions till the end when we come back for general discussion okay? So thank you very much.

May I have group two please. My suggestion was someone who hasn't presented earlier should be a given a chance to present. Are you following the same logic? Yes sir. Good.

Good evening sir. Good evening. Good evening friends. As Mr. Amar has nicely presented the entire case I don't think I have got... You have got a lot more you can present nicer. Sir. Hold the hold the microphone. No he has presented lot of facts now let let us get some logic. Yeah. As I said this is special case house of Tata. Yeah. So what I feel, that there are two different Tatas: one in the time of JRD and other one, which is there right now in the time of Ratan Tata. In the time of JRD Tata there were regional stickups like Mr. Darbari Seth, Mr. Suman Malgankar; all these people were having the one company, which they were managing without any central control over them. The Tata group as such was having Tata, Tata sons was having some eight to ten percent shares. It is said that at one time Mr. JD Birla was having more shares than Tata sons in TISCO and all these companies were in in the sort of not exactly but doing politics among the seniors as between Russi Modi and Suman Moolgaokar and Darbari Seth, Nani Palkhivala with Ratan Tata.

What was that? At that time company was fragmented with regionalist people. Darbari side they are Methapur and these people at Jamshedpur. Was it the company or the group? What sir? You said company was fragmented. Are you referring to the group the house of Tata? The house of Tata is fragmented with different companies with different heads. All right. Then. Either fragmented or enriched is the way you look at it is it not? I think sir that the group was not that cohesive. Group was not that cohesive. See the point I am making. Sir then only thing was that

the a one organization that the Tata Sons was having share in all this that is why they are part of the group and they are using Tata brand. We will have some questions on this. He says it was really not a group. It is just that a few financial holdings. Now whether that is right or not we will debate it. And there were as such the people who were hand picked by Mr. JRD Tata as Darbari Seth was there in nineteen thirty nine, he was just came back from his study and he was instructed to put up a factory of Tata chemicals and there he and Mr. JRD they have identified Suman Moolgaonkar and he instructed him to put up a factory for a locomotives. Like all the people were hand picked by Mr. JRD and they were reporting to him and as such Mr. JRD was himself very much involved with the operation of Air India and as he it is it is said that he tried he neglected all these companies in favor of Air India and Tata steel was Tata other Tata companies were not said that they are very much aggressive compared to JD Birla group of company or any other company which were there at that time.

As Tata, they could have diversified but they were basically in their shell and trying to defend themselves from others. Then they tried to come come up with new technology product like Tata IBM or Tata Unisys but most of the in these say Tata was just like portfolio investor with just Tata brand name there to support the international technology and Tata was not getting anything much from that. And all these things were changed with the Ratan Tata. He tried he came up with first he came up with Telco and he tried to increase the cross holding and then he made, tried to take on the all these regional bosses who were there Mr. Ajit Kerkar, Mr. Rishi Modi and all people. And it made the group cohesive with a Tata brand name and there was a allowance for every company has to pay some money to use the Tata brand name to Tata sons.

And then he tried to get old people out and now new professionals were there in the organization. And now the Tata was not no more involved with all these groups where they are just for the namesake. Now Tata having all the companies which in which in which they were having a greater share and in the meantime they increases the overseas exposure. Right now Tata steel is coming with a coming with a chromium Ferro chrome plant in South Africa. They have got mining contract in Australia also and likewise Tata International has been formed and it is regularly exporting the Tata goods and Tata Tata Suit is is the major leather exporter from India.

All these things changed with the Tata steel and the age of the average age of the management also came down. This is what the and now the Tata is considered to be aggressive as well as adhering to the old values of Mr. Jamshedji Tata. And the future prospects of Tata will depend much on the successor of Mr. Ratan Tata, that is, if it is no one Tata it will also it will depend on the how he functions whether he is going to change the philosophy or he will go back to old philosophy of Mr. JRD or will restrict to the the way Mr. Ratan Tata has evolved Tata's in last ten or fifteen years. Old philosophy of JRD or JN Tata? Sir JN Tata was there for only four-five years before he was before TISCO came up. Who was the founder? Don't talk of TISCO, talk of the house of Tata. Sir, house of Tata was there but still during JN Tata's time they were having only few textile mills and they were investing in Tata steel.

I will read out to you something, all right, just to set the record in order. Sir, Mr. JN Tata died in nineteen zero three. At that time Tata steel was coming up and they were having a few plants like Swadesi Mill and he was basically a textile trader and he tried to invest in textile and the new

factory, which was coming up. So what was what was the vision in terms of value? Sir, what he said that the he was like he wanted to invest in core industry to make India self-reliant. He was after business? He was after good businesses to make money? What was the core value? Sir sir he is. Let let someone else say it. Nation building. Was he in nation building? Yes yes. Not to make money. No sir. Someone is in business they have to make money. So for him 'the acquisition of wealth was', then he is quoting here in quotes, 'always subordinate to constant desire in his heart to improve the industrial and intellectual condition of the people of the country.' I think it was a very noble and lofty value that he held. But he was in the business sir and his primary interest was to take his business forward. We will discuss that.

I think there is more to it because if you can pass on, today when you talk of Tatas, what is the brand equities that comes in your mind? Sir, high quality. What else? Integrity does it not come? It is not easy to get this value extended over a long period of time through the thick and thin, the vicissitudes of business. There was a very tough period that then went through all right. What did they do at that time? They went into a defensive mode. Did they join the pack? No sir. There was a period here when what happened to the basic values of the country? What happened? More materialistic. What how did they conduct their business? It is all put here in the case. What did the Tatas do? They didn't do anything. They just tried to keep their assets intact. All right. They went into a defensive mode that is to protect whatever they had. Why? Because they didn't want to do business in the way that the others were doing. Isn't that a value or is not a value? Maybe he is doing it on the shareholders' money that is what I think. You have a refreshingly different point of view for which I applaud you, all right. Now you wrap up your presentation. We will come into questions okay come. Sir what I think that now Tata group is going on a good direction and I think that Tata will again regain it is number position in India. That is it. That is it? Thank you

Okay. Any question any questions? What does chapter six say? Can you bring framework of chapter six into this presentation? Sir, vertical integration, diversification into related and transmitted businesses. What they were getting to which was related? They went into steel first. What else? They were in textiles. Did they extend did they extend the textiles? No sir. No. No they persisted with it. It is all right. What else? Sir, from HCV to LCV. Sir they went to into the...They went into the automotive industries. They could not extend as per as...Now, let us extend this argument. We are talking of whether they diversified in a integrated manner or in a haphazard unrelated manner. What did they do? Unrelated. Why why? Why did why do you say it is unrelated? Okay. All right. If he was mainly interested in those industries which which he felt that India had a lot to learn from the West, for example, the steel where he says that his main aim initially was to modernize India. In order to modernize you have to get into areas, which no one else has ventured before. By those were infrastructure areas. So that way it was related. Okay. That way it was related. And what else? He he wanted to get into areas, which later the government of India got it because of a regulatory requirement. Isn't it? Then he had to they had to exit because infrastructure, steel these were all taken into the government sector. They went into airlines also sir. They went into airlines right in the beginning. They pioneered the airlines industry. Sure, that is what they, that is what the discussion is. They wanted to make a strong economic India. They went into insurance okay? Doesn't mention here but they were in banking too. Central bank was theirs. Okay. Central bank, New India insurance, all these things were theirs.

What else? What else? I am surprised both groups haven't mentioned one thing. I wonder. They were very much in charity, sir. They, yeah, their Tata memorial hospital, cancer and then that IISCs and all these things these all were written by Mr. J N Tata only and his son all this all they have implemented it. The IIC concept was at that time unheard of even. So they did they build any culture? I mean, a brand equity, you know, it is a part of a culture also has a very very strong contribution to building a brand equity. When you talk of Tatas, you talk of Birlas, there is a reference to Birlas also in this case, was there a basic difference in their values and their way? Yes. The values translate into strategies of doing business. Tell me what was the basic difference as given in the case between house of Birlas, house of Tatas? Professionalism and family background. Birla is mostly run by the family members. Well, what it says is, the management and the finance, these are run by the extended family members, not operations, management and finance. That is the jugular vein of the business, you know, what you control.

What about Tata's? They were professional right from the day one. Fully professional or they were? Professional management at most of the levels. They gave scope for each company to grow individually independently. Sir, at the middle level there were professional managers. Okay. At the board level most of the persons were from Parsi. All right. So but most of them were. Okay. What what did it what does the case say about the Parsi community? What did they think of Tata's? Was it just a company or a business? More as a charity or they took it as a pride- Apro Tata. They would never sell you know the Parsis, any share of Tata steel through thick and thin. So it went beyond a business. Nowadays the modern concept doesn't justify this. You see when you if you invest and in any portfolio you shouldn't be emotionally involved. You should be only cerebrally involved-buy and sell. But at the time when the nation was being built and you had this pioneers the concept was different of business and even the whole community went and backed up this concept okay.

I think we end here. I expect the groups that are coming to also touch upon the various phases which took place, you know, of the environment and how when the environment changes, how you align your strategy with the environment. I would expect some people to say that because it started off at the turn of the century and right up to a few years ago, this case, there were distinct phases of radical change in environment business environment. So how did the house of Tata's adapt to that? And right now they seem to be on a successful path okay?

Thank you. Next group three. What is the time? Sir, six forty. You have till six fifty. Fifty-two. Six fifty-two you have till. Good evening sir. Good evening. Good evening friends. Well, we were discussing the house of Tata's. In nineteen thirty-eight, Jamshed JRD Tata took over the reins of took over the reins of Tata house, Tata's and... Took over the reins, r-e-i-n-s is rains as in r-a-i-n, the pronunciation is rains. Took over the ruins. Ruins [Foreign Language], rains. He took over the reins. Yeah reins. He took over the reins of Tata's Tata house and he resolved 'to dedicate myself and the firm to the task of carrying on Jamshadeji Tata's vision of a politically free and economically strong India.' This was his vision. Our group has trying tried to align with the concepts of chapter six that is of that is on corporate strategies. Well the broad let me first define the, what do we mean by corporate strategies. Corporate strategies are the plans and actions that firms take to formulate and implement when managing the portfolio business. So there were different, there are broad types of corporate strategies. They are vertical integration and that includes forward and backward integration, related diversification and un related

diversification. Now I would like to touch down each of these points and how the Tata group involved themselves in these strategies. In case of forward integration I would like to take up the case of Tata Boeing which took up the steel from TISCO and brought about so that they made then self more near to the customers getting more near to the to the suppliers taking the steel from TISCO. Then in case of backward integration we have the case of Tata refractories and iron ore mines. They own they came they own the iron ore mines. They got the hold of them and they were getting the ores from there. And also the refractories, which were an integral part of the TISCO manufacturing systems.

Now in case of related diversification we the company is focused on strategy, on synergy and on internal development. What do I mean by synergy is they tried to they tried into get into some fit be get time to may be like we can take the example of Tata going into from high high commercial vehicle to LCVs to the cars. What they had they had in common? The distribution channel and they exploited this distribution channel and even though they entered entered the market six months late but they managed it quite well and keep came ahead out of it. So this was like an, this was the, this is sort of first step in building synergy in identifying the potential for close fit among firms in different or similar businesses.

Then we have the case of making competence hard to imitate and durable. What we feel is the brand value that Tata's generated was was the prime factor in making Tata such a big big success and this came about by the, this came about by the help of the culture that the company developed over the period of time. The people were willing to work although they didn't pay well, although the salaries and perks for at the, at not so attractive but people wanted to be in in the in the Tata industries just because of their need that the culture that prevailed.

They involved themselves in several charity institutions like the Tata Endowments, the medicine, the cancer research institute, the national council of performing arts; they give funds to them and they had excellent labor policies that made to work in Tata a really cherishing experience. Then that on building on the synergy they tried to focus on the managerial fit, strong fit among different managers that run the underlying so that the underlying developing the underlying business is successful. In this case we can take the example of TASS. TASS as you know is a is a sort of company it is that are that was formed into to make people to make the underlying companies and it developed highly professional and talented players that to cover on different Tata industries and may made it a success.

Now on focusing on internal development I would like to just explain what does internal development means. Firms could identify and exploit an underlying technology or skill that defines the way a product is designed or manufactured. They can start up with new products and or services by adding value to there key activities. They can develop and commercialize new products that borrow from the phones brand name recognition manufacturing powers on R and D capability capabilities and they acquire new businesses that closely match and complement from it is existing strength. He just looking on these points we can say that Tata's involved themselves in these in these related diversification activities where we can take the example of TCS which was initially owned by Tata companies but it later got into handling the phases of different companies. And we can take the example of Tata tele-ventures and BSNL. That that is not

mentioned in the case. We can take the example how they built on this and also the case of CMC and TCS.

Now I come into the unrelated diversification. The unrelated diversification or it is means by buying out high performing companies or the that can high performing companies in an attractive industry or it may even buying out buying of in generating a relationship with cash poor company that would utilize there so that to utilize their additional funds for a quick turnaround and it may. The examples that are brought forward in the case are: in nineteen forty-four, nineteen fifty-four Tata engineer collaborated with Daimler Benz to introduce modern commercial vehicles to Indian road. So this is a sort of activity that comes under this side and Tata brought the share holdings of Forbes group of companies from the industries, UK. I don't have proper data on it but this was one of the activities. They had collaboration and foreign technical tie-ups with different companies.

We can take the example of Tata engineering that is in collaboration with Hitachi japan, Tata Unisys that became Tata Bros and it is now Tata InfoTech then Titan collaboration with Casio and McGraw Tata McGraw Hill. So these are the strat, these are the points under diversification. I would like to just go through the benefit is of diversification that come through when when a company goes into it.

These are the company diversifies because of because the terrain may be very attractive or they want they get into they get to get to access the resources of the companies. It may be because of sharing of activities. In case of attractive terrain there may be, the reasons may be faster growth, higher profitability, greater stability. TCS immediately comes to our mind. Then we have TISCO and TELCO. They operate on low margins and and the demand is cyclical in terms. They have ventured into exports and they are doing very good. That is the reason for that it that may be reason and higher profitability will be is one of the aspects. Then, access to resources. The case of BSNL is not mentioned but as we throw it it is like getting into the physical assets and access to markets of the telecom industry. Then we have when we try to get technologies, skills or expertise we can take the example of CMC. Sharing of activities like systems of integrated and outsourcing is done at TCS. This this is this will form a very good example. Then there are some demerit is of the diversification or costs involved in diversification. These are costs of ignorance. We can I can take go into example of Tata Indica which was the Indica. The first model was a not very good success because they didn't have proper know-how about the marketing channels that go through. Later on the Indica V two has come up very nicely after the initial hiccups. Then we have cost of cooperation that that gets that involves I will like to take the example.

TASS is supposed to be for all Tata companies but and the executives from TASS go into different other companies but this feeling creeps in they they would like to go into better companies or profit profitable companies. So this may be one of the demerits. So what should what should the Tata's do or what have they done to just counter these negative points? So you have to end now. Yeah. You finished your time. The two alternatives are selective focus on diversity diversity divestitures spin off. Selective focus means Tata's have come up they have come out of textile business and oil mills. They have also got out of non-core business like cement of Tomco, Lacmay etcetera. So these these formed out the corporate strategies of Tata and the weaknesses that we have underlined are the Tata philosophy that is is that that was one of the reason they involved in the family was seeing the vision of JRD Tata. They were involved in

charity and trusteeship and the low turnover rate. The second rung management they were frustrated because the key management people at the top they were not replaced till the very old age. And it is a slow to take a change we can take the example of Voltas. We can also take the example of two decades there there was lot of there was sort of inactive inactivity in the Tata Tata stories. This is all I like to say sir. Good. Thank you. Questions.

Sir. Yeah. I would like to ask him one question that at what point of time the perks and benefit is and salaries of Tatas were not that excellent from their industry side? This is this I just wanted to to say that they have developed the sort of company culture even they are not as that good. I am not saying that it is it is very bad. How is it how is a related to strategy, this question? They they have developed a a culture. No I am asking the questioner how is your question is related to strategy? Sir. Perks and salaries and composition is it related strategy? Yes. Yes. What kind of strategy? So answer. This is a class on strategy. How is it related? To retain talent to attract talent, right? So...Sir, I thought it is a little bit related to get the employee motivation also. Motivation. Motivation for what end? So that they remain with you. Job satisfaction. They work hard they are satisfied. Yes sir. Isn't it? Yes sir. Now say you have competitors all around who are paying much more than you are paying. What can be a strategy to still retain your talent? Work culture and environment sir. Work culture and environment. So you have to work at it and in case of Tata's were they successful? Did they work at it? Yeah. They were because all though they were not the pay masters, even today they are not highest pay masters, they are not even in the high bracket they are in the middle but still they retain talent.

So, obviously as a strategy and a policy they have been able to institutionalize a good work culture, a learning environment, which attracts, retains and grows people. That is the strategy point. Tell me. I want to ask a question. Who was Jamshedji Tata and who was JRD Tata? Anyone wants to answer that? Son of cousin sir. Son of a cousin was JRD. Yes sir. So the way this case is written the first part is the Tata heritage, second part so it is during the founders who set the heritage right? That is founder was who? Jamshedji. Jamshedji Tata and then the next part is JRD Tata. So JRD Tata took over the reins okay? What did Jamshedji say about his values? 'Always subordinate the constant desire in his heart to improve the industrial and intellectual condition of the people of this country'. So and he put forward some strategies to enter into core industry core sectors. When JRD was handing over the reins, it starts the case starts with this. What did he say? 'Even as I am forcing myself to slowly disappear from the Tata companies.' What does this connote? He was a, no doesn't at all connote that, he is reflecting, he is ruminating, he is sitting there. He was a man larger in size than any one else in the house of Tata's. JRD was a patriarch. He was the grand old man and he was absolute father figure. If he wanted to stay he could as well have stayed and people would have been happy. But what did he do? He forced himself to slowly disappear from the seat. Was it a part of strategy?

Yes sir yeah. Yeah what was the strategy? Because they have mentioned because lower second rung professionals were frustrated. Right. That was a professional strategy and is a value-based strategy. The value is what? Allow this people. Allow it to grow. Allow the values of the founder that is his uncle, to perpetuate okay? And what does he say? 'I am content', he is not unhappy, 'I am content that throughout my tenure at the top we have maintained a clean reputation.' Remember he could have changed that into a dirty reputation because the man at the top decides the direction. So he says I am content that through out my tenure we maintained a clean

reputation and this is very very much to be noticed and yet managed to succeed in business. So he has demonstrated to the world that you can succeed in business even by ethical practices and that is why he is content. This is part of value being translated into a business strategy, the way you do business okay?

And I am confident that though things will change after me, he knows there will be change, but what is his confidence that our basic value will not change, will remain unchanged.

So, this is this is the core of the the value dictating strategy, you know and the strategy dictating business plans. When he took over the reins what did he say? What did he say?

‘Dedicate myself and the firm to the task of carrying on Jamshedji Tata’s vision of a politically free and economically strong India.’ Right. So he could he could have inspired, Jamshedji inspired in his people to carry on the strategy. They could well have said, ‘look, when the old man was here things were different.’ Don’t we all say that? Ab toh now things have changed. So we will have a different strategy. Now I have to go and give bribes and do all sorts of things. Everyone is doing it. If you don’t do it you will disappear but they did not do it. I think this is a great example of how values can be institutionalized and it will be carried on by another generation. Okay?

So yes? Sir does this mean that when there is a leader and he is leading an organization should he also keep at the back up is main the number or the people who will take his place and views? Yes that is known as succession planning. Sir, we also discussed that case in the class about somebody whose educational institution in Ahmedabad, when there is a flood, I don’t remember the name of the case. There also I mentioned that we should he has no successor in mind. That was a disadvantage. But I guess the class said that it is too early for him to think about the success. So just want to know that what time what point of time should a leader think of his successor or it should always be there in the back of his mind? Well, there are two answers to it. If it is a family promoted company then someone, as he gets older, he must think. Well if he is still capable like Mohansingh Oberoy, you see, at age seventy well then he may think of succession planning but in a professional run company like Hindustan lever or L and T you can’t do it. It is not founded; it is not owner driven company. It is a professional company. Then you have to set in motion an institutionalized steps which will automatically, the mechanisms will choose a successor like in Lever. There is an unwritten rule in Lever that the chairman will retire at sixty. That is rule number one. Rule number two: that the chairman must stay at least for five years minimum preferably seven eight years as chairman because if he doesn’t is too short a time to bring in any significant contributions to the company. Rule number three: in order for you to get someone and promote him to chairman at age fifty-three let us say, all right, you have to do selection, potential development of younger people to fit into that position. Rule number four: don’t bring people from outside. Try and get your own talent from inside. Why? Because the culture we have built as the professional company of excellence will be maintained if you have people from the top.

So how the thread runs though? Therefore when they start, they start right from the recruitment. They have an elite cadre, they have management trainees, they have engineering trainees. Management trainees are rotated so that they at least know three major areas of business before they can be selected. Along the way the screening process goes on. It is done very efficiently. Very few companies that I know of do this process but the result seems to have worked because

you have illustrious chairman. One after the other who come, you know, and retire from Hindustan lever at sixty only and many are picked up by their parent Unilever for higher positions on the global scale. Yeah? So here is another example how human resources you know, the strategy of your human resources, can be translated into a plan and implementation of the same, okay? We will end now and after five minutes break we will have the three other presentations okay? We will do a bit of discussion as we go along because we may not be left with much time and the end for.