

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

**Lecture No. 11**  
**Group Presentation on –II**

Group 4 please. Hello sir, hi friends, we will discuss about the corporate strategy of Tatas considering into fact that allocation of resources and identification of opportunities form an integral part of this strategy from the case that many have specified also. Tata is one of the biggest and most respected Indian business houses. It has a high brand value which will always remain its sustainable competitive advantage. Like all other major companies, it began its existence by serving just one or few niche markets; like in this case, it started with the textile industry. But Jamshedji Tata had a bigger dream - he wanted to bring in latest industrial and intellectual conditions in the country. He expanded the scope of operations to include activities like steel, hydroelectric, hotels, technical education, research under the house, it also expanded into engineering chemical cements and so on. The company had become a conglomerate by making unrelated diversification such as I specified - steel, hotels, power generation, publishing books, making watches, providing services and so on.

Eventually, we saw that from this unrelated diversification, the company went into related diversifications like from power generation to power distribution, from the telecom equipment manufacturing to telecom service providing, from heavy commercial vehicles to light weight commercial vehicles say from Tata steel to tin plates, refractory special steels. Now, the company also used vertical integration at the mold for expansion. The Tatas as specified in the case were famous for their management styles that they tended to enter capital intensive vertically integrated business through joint ventures, foreign licensing agreements and so on.

Voltas is another case in which it was traditionally into retail and distribution but because of retaliation it had to go into manufacturing and engineering operations later on. But there are certain problems related to vertical integration which are balancing capacity and throughout the supply chain which is very difficult to maintain. There were obviously some of the reasons which prompted Tata to go into diversification and we will discuss some of those. Before the independence era, India had as we all know little exposure to manufacturing companies. The industrial conditions were not very good and hence Jamshedji Tata had a dream of improving the industrial and intellectual condition of India. After independence, the regulations became increasingly difficult for the foreign companies which again became a reason for fresh wave of diversifications for the Tatas. As we saw the Tatas increasing share-holding of Forbes group of

lead industries but ironically the government, much influenced by the Soviet economic model, took over certain companies of Tatas and in fact it attacked other private business as well. As we saw Tata airlines was taken over and was renamed as Indian Airlines. Tata insurance as specified was nationalized in two phases. Air India actually, I am sorry.

Tata steel under the license raj was not allowed to expand because there were other government steel plants running at the same time hence the company - the Tata group - had very little options than to look for other avenues for growth under the restrictive policies of the government in the 1970s. Moreover, there were certain other sectors like watches, Tata Unisys telecom but the company saw immense potentials for growth. TCS was also one of those and as we now see it is the, it is one of the most profit making companies of Tatas and it also introduced Tatas to access to resources like technology. The company initially was helped was formulated so as to help the other business related activities of Tatas but as we see they were cost to diversification and they did not come free. The Tatas stumbled in industries where investment was not intensive but competition was intense such as the textile and consumer products which is specified. In the case this was the cost of neglect which I would see the company paid. The company filed for liquidation of one of the textile companies and closed operations of the other textile companies.

Tatas oil, a consumer product, NELCO electronics consumer company - these both faltered in the market. The companies had several problems, not particularly related to diversification in the earlier nineties and the the data that I provide here is as of 1991 unless and otherwise specified. The companies boss over staff as is clearly mentioned, employees had no fear of punishment, absenteeism was very high, the senior management still had a very tolerant attitude. As Mr. JRD Tata himself said, we can't have this in Tatas, then they talked of removing some of the employees. The company again recruited some of the employees on the basis of emotional bonding rather than performers. We see that the, there were third or four generation employees in the Tatas hence company had survivors rather than performers. As again specified, businesses were run like charities and have and with, considered a matter of pride rather than as profit oriented enterprises.

Unfortunately, at a higher level in the hierarchy, the turnover of directors were also very slow. This caused large amount of frustration within the company but nevertheless the company remained the largest and the highly respected conglomerate, it still enjoyed a very high brand value. It was known for ethics, it had a skilled professional management and if it considered the opportunities, they were immense. They want to grow into area of telecom which we now see generates most revenues for Tatas. They wanted to go into information technology and we see TCS again is a wide known example. They wanted to go into automobiles, they wanted to form strategic alliances through mergers or acquisitions.

Again in 1991, the company had a clear mission under the guidance of Ratan Tata. The company wanted to selectively enter and manage technology related businesses. It wanted to act as

organizational catalyst for inducting new technology based activities. It wanted to supplement support and protect Tata share-holding in the group companies which we also now see. The Tata group has increased its share holdings in much of its companies. That is all I had to present, thank you very much.

Good presentation, questions. Everyone is zapped, no question? Yes Amar. You just mentioned at the end that they went into alliances through strategic acquisitions. As of 1991, they had. I have a problem in the terms used. What do you understand by or what you would take about strategic alliance and mergers and acquisition? Strategic alliance means, well if you go to the literal definition of the term, alliance is different from merging so and acquisition is acquiring smaller companies like. So, alliance is a strategy, acquisition is a strategy, merger is a strategy. So, it is not strategic alliance through mergers and acquisitions. Yeah, not strategic alliance through mergers. Thank you for your query.

Any other questions? If there are no further question, yes. I have a question, somehow not related to this presentation. Unrelated diversification. While they had different organizational structure, while one company Tata steel had a departmental organization, Voltas was a matrix organization and so on. And they tried to have best practices confirm to the Tatas' philosophy. How? How can an organization develop a culture having different structure, organization structure? Is it possible to have conformity in the philosophy? They did not have a common organizational structure and it is also specified in the case they had a common philosophy so all companies were lead by philosophy of maintaining the ethical values and hence looking out for opportunities which would result in maximum profitizations so every company could have different mode of expansion. But the structure was different in different companies, why? Everyone knows the answer, one at a time. That is in the nature of the industry. So, obviously TCS can't have the same kind of structure that Tata Steel will have. Without laboring the point, everyone knows that. But important point is, what was the bonding force? It was cultural basically, isn't it? Yes.

So, in organization you, see here it is a case where you are talking of a house. So, it is diffused, there was a phase you know when JRD stepped down, when it had become too diffused and what was the challenge before Ratan Tata then? To bring it back again, is it not? It had become so diffused that there was a distinct possibility the market was looking whether the house of Tatas will disintegrate the house but later it didn't happen. Who won the battle? Ratan Tata won the battle. I think his senior colleagues underestimated him. How did he win the battle? We will discuss right at the end after this presentations are all over. When you make a good presentation, I think you know you have made a good presentation so he was being congratulated by everyone.

I think this case - the house of Tatas - is a very classical and a good case about how with changing times companies have to go for rethink in the strategies, refocusing what they are doing

and what they have been doing all along. And it can be done in spite of the fact that we maintain common culture, we mean the common philosophy behind whatever is happening in the front. So, we have decided, we have divided this presentation in three parts and we have decided, we have analyzed kind of what Tatas have done before independence, post-independence to 91 and from 91 up to this point.

So, if you go to the pre-independence situation, we will see that normally if you look at corporate strategy in any business, more often than not, would try to diversify into field wherein it has, where it feels that its present competencies are allowing it a clear advantage over others. Now, that is exactly what Tatas didn't do. At that time they were pioneers in textile, steel, insurance, airlines and all unrelated businesses. So, the primary reason for that was, as already professor mentioned earlier, was Jamshedji's vision. Now, the vision which we had for the country, as Mr. Amar also said, was in fact very finely tuned with what he had the vision for his company as such. So, he wanted politically free and economically strong India and at the same time because of this basically he wanted his company to go into core industries, infrastructure and all and develop India that way.

Now, there was one major point also here that profit making was considered a secondary task not, it was not a primary task. So, then there was also a factor of the board being primarily Parsi because what was happening, it had its advantages. For example, you had a backend of a very wealthy and an educated society but at the same time they were not very demanding as share holder. So, the motivation to actually earn for the share holders was exactly not there. So, this also helped Tatas go into areas where they probably didn't have that kind of an expertise. Now, if you look at post-independence scenario, first of all we will look at what Tatas - they had a neutral stance, were not affiliated, were not actually leaning towards any organization and at the same time the government regulations were becoming harsher with each decade and even some of the Tata companies were nationalized like Tata Airlines and New India assurance but at the same time the less competition was allowing Tatas to flourish.

Now, all along the focus had not changed; that was very important. They were still going into core industries; for example, they diversified into Tata Chemicals and then they had a collaboration with Daimler Benz. Now, again, but what held them in good hands at that time in point of time was that they were always all along in philanthropic activities so possibility of getting into conflict with the government was very less. They had started TIFR and cancer research institutes and so on. Now, if you look at 65 to 80 these periods for regulations getting harsher with each, with each days I already mentioned.

Now, this prompted the Tatas for the first time to take some kind of proactive terms which was very unlike what Tatas were doing. They, because they were part of an industrial embassy which was setup in New Delhi which was made by civil servants and the military officers; retired, in

fact retired the civil servants and military officers and this was somehow of lobbying with the government because it was always, it was getting very difficult to operate in a very controlled economy. Now, but in 1978 there was a very strong bid to nationalize Tata Steel and barely failed and then at that point of time Tatas went into a shell. They just decided to, the strategy at the time was that, okay, let us consolidate what we have right now. If we stop investing in any other high investment projects and all and there was a strategic shift because of that regulation in their focus. Now they started investing in the services sector more. Now, in between there was one of the, I think, one of the most important decision that Tatas took in 1969 and that was the foundation of TAS. Now, TAS was found and it helped them in two ways – first obviously was it provided them quality management personal and secondary the synergy between the group could be maintained very well because of that.

Now, excellent point not yet mentioned by anyone. Now this is, now the the part of the corporate strategy was maintaining very good HR practices in the company. Because if you look at it HR is one field where it is very difficult for your competitors to imitate you or copy you because if you have the loyalty and faith of the employees, it is very difficult for the competitors to actually do that. But at the same time they were floundering in some businesses - textiles were doing badly, the group. The feeling was that the group was carrying deadwood all along and there was very low market orientation. It was not a very good marketing company as such and the leadership was aging. Now, a very turning point in Tatas at the point of time - it was 81 when Ratan Tata became chairman of Tata industries and he tried to influence new ideas in fact into the organization. Although his 1983 strategic plan was rejected at the very outset by the board but at least it led the group to think in new ways. For example, he said he was called technology owned leaderships select product market segmentation. In fact this point is what the Tatas are pursuing now. He had actually envisaged this kind of strategy in 1983 -joint sector projects, acquisitions, mergers and probably divesting certain businesses like oils and etceteras.

And moreover he wanted synergy between, in the group between the different Tata companies to be very high. Now, in 1980s again Tata started expanding and but all along that Jamshedji's philosophy of not taking very hard decisions as far as taking care of his sick businesses or closing them down because of that Tata philosophy was all along there. That is how ACC actually, that is how Birlas taking initiative from ACC and arresting the initiative from ACC basically when the government eased regulations in cement sector in 1982. And then there was also, there were very late with the, when government actually eased regulations in the car passenger car sector and Netco Voltas- they also were kind of floundering.

Now there was also, the problems which was occurring in the those days was the centrifugal tendencies in the group that the groups were becoming, each of the Tata companies, few companies within the Tata group under the leadership of some powerful leaders like the Darbari Seth and Russi Mody were getting powerful with each passing day. These leaders were getting

confident and they were trying to, they were trying, they were increasingly getting very different from the way Tatas were doing business so that was the problem there. Then also, the image took a beating sometime in somewhere in during that time because some CEO of a company was held for taking, for offering bribe. There was a suicide death of the person after tax raid and all. So, there was immediate need for corporate restructuring.

In 1991 with the and now we go into the last business nineteen 91 up till now. 1991 with the liberalization and privatization of the economy, Ratan Tata again came to the scene and he gave his new strategic plan for Tata industries and the strategy was to facilitate diversification of group companies. Synergy again, he focused on that. The focus was on technology based industries where he thought the future was and that is, we see Tata telecom and all, that was because of that focus.

Now and also as part of the synergy thing he wanted the Tatas to emerge as a complete solutions company where in they could use the internal resources very well to undertake turnkey projects within the industry. Now, if you look at the situation in 1991 the group was not seen as very aggressive so the strategic plan which he had put up in 1991 that throughout certain transformation agenda and that was consolidation, renewed purpose, promote brand, improve governance and focus the portfolio. In fact, if you look at consolidation they have spent round about 2700 crores from 1991 up till now to increase the Tata Sons' holding in the group companies. The Tata holding, the Tata Sons had holding of around hardly few percentage in these companies, let us say Tata Electric, Tata power and all and it has skyrocketed over these years and in major, in all the major group, major companies they have more than 26 percent stake. Right now this was his way of restructuring the whole thing to increase his, to increase the power of Tata Sons within the business.

Now, Russi Mody and in this process, Russi Mody and Darbari Seth and leaders of those sort were eased out and so the group now started to work in more or less cohesive manner. Now, if you look at the, he had, they were into seven or eight major business areas at that time and he wanted the portfolio to be more focused and this refocus that lead Ratan Tata to go into telecom and passenger car, Indica for example, and ultimately now they are focusing very very aggressively on the top twelve Tata companies. Now, there was one now factor all along; Tatas were perceived as a company which was not very market oriented. For example, even in Tata Tea they were there but it was primarily seen as a company which was vertically integrated in this factor, in this called as industry but it was not exactly deriving its value down the chain that means in marketing and all. So, there Ratan Tata not only had ambitions of getting the company, developing the company as a marketing power house in India but it had, he had global ambitions for Tata Tea and that lead him to buy Tetley and focus Tata Tea on a world stage. Now at this point this there is a, you might say that, there is. He divested Lakme at the point of time; both are consumer goods.

Now, one would say that why did he diverse one end at the same time acquired in another because if you look at the Tata tea it is not exactly a core business but the thing is that the philosophy has been now or at least now is that they want to concentrate only on those areas where in they are number one, number two or number three in the industry. Any company which is not within the first three in industry they don't want to actually hold on to that company any more that was the reason why Lakme was sold to Unilever and they got a very good price for that. Now, the kind of synergies that they have developed within the group, that helping them by helping them into getting the level of collaboration which probably no business house in India can get right now. Because for example if you look at automotive engineering sector of Tatas, TCS, the Tata autocomp system limited, TACO, TELCO automation, Tata engineering - all these companies collaborate on single turnkey project whichever comes in the automotive sector to the Tatas.

Now, if you can for example and if you look at TCS it has worked with all major automakers in the world – GM, Ford, Bajaj, Mahindra and Mahindra. TACO has worked with what Daimler Chrysler, Ford, GM, Toyota. In fact there is a very interesting case Toyota India, Toyota India subsidiary gave TACO the project of designing the outer panel of Toyota Qualis. Why it is interesting is because TACO did the design but it gave the production work to Tata Engineering. Tata Engineering produces Sumo which is the direct competitor of Toyota Qualis in India. Now what is happening here is that the reputation the Tata as a group have as a group are now developing in the market today. Even their competitors are coming to them with a with their project because they know that the group can deliver the best in any, in this field at least in the automotive field.

And then now if you look at it, the Tatas form a company which was very very reactive and are to say the best. It was really reactive, it was not been reactive in the pre-independence and immediately after independence it used to take a lot time making decisions. It has developed into a company where it is always maintaining an eye on the future. For example therefore future initiatives of the Tata management are to develop younger top management, compensation to attract the best in the industry, industry leadership globally competitive and moreover they want to focus on certain segments and go very aggressively on that. They want to expand not only through the, they want to expand through acquisitions and divestiture and want to make expansion through acquisitions and through related diversification. At the same time, they want to get out of businesses they are not good at, they feel there are not good at.

Now, if you look at the, one thing I have actually forgot to mention was the kind of synergy which is between the Tata groups right now is more of a strategic alliance. It is not a merger, they are not merged, they are not unified in any other way than actually going for strategic alliances, taking the project together and bidding for projects aggressively so that is helping the

growth. And now there is one more thing, very important thing, that is the WTO thing because by 2005 every will be facing increased competition and this Tata actually had the foresight in 1999 only to form a WTO cell in the growth and moreover a department of economics and statistics in Tata services. What these people have done is that they from right from 1999 to this point they have trained about 5000 professionals whom they called WTO evangelists. These people are going to see that how they can harmonize Tatas into the new world post 2005 so that the effects of WTO are not very adverse on the company.

What we will be discussing is the way corporate strategy in theoretical terms, what are the pluses and minuses of the corporate strategy that the Tatas have followed till now? If you look at the group broadly they have followed unrelated diversification; they see that they go from textile to steel to hotels to park. So, we can call the Tata group as a conglomerate but one basic difference in this form of unrelated diversification which they have gone in for is - normally unrelated diversification people go for in bulge form of acquisitions but this is one company that has grown primarily by entering development. But also there is another reason for this because at the time they were there in these industries there was nobody hence for them to acquire that is probably why they choose the role of internal development. And plus the vision of the founders are they didn't go into companies or they didn't diversify into businesses to make money. A group diversified into industries with a view quoted 'to improve the industrial and intellectual condition of people of this country.' Hence the diversification into steel or research which were essential to India in modernization and that point of time.

In fact if you look at his diversification into the hotel business, it is also more a matter of pride more than anything else. That is the fact in the case where he was hurt when he was not allowed entry into a hotel and he came back and set up the Taj Mahal Hotel. Let us look at the benefits of their strategy which they have followed. One thing is they get more attractive terrain in that we get faster growth entry into high growth areas; it is then the advantage and potentially new sources of the technology and skills. In these time, in time these resources can become the basis of future industries. Classical example of this is TCS which probably in the next 5 years it probably becomes the Tata group's biggest company in terms of profits and revenues. Profitability, new terrain, less competition so therefore higher rate of return and you get more breathing room but in their case at least in the early times they weren't there for profit making. Stability - if they are in several businesses which have different operating cycles, if you look at the overall performance of the growth as a whole, one cycle - bad cycle - probably evens out one good cycle. Then they get access to resources - by acquiring scarce resources a company can improve its own competitive advantage. Technologies - diversification is an important way of firms to learn to extend and acquire new businesses again example of this being TCS.

Then expertise - expertise possessed by a business represents a free and invaluable source for another businesses to access. This example of this – TAS. TAS has been formed mainly so that a



group's vision and the group's philosophy is spread across all group companies and this can be accessed. It prevents, I mean this allows free movement within companies in sharing of activities, allow sharing of one or more value chain, activities amongst businesses and an example of that is the network from HCV to, the network of distribution was used from HCV and to market their LCD products as well. Coming to the disadvantages the success of this strategy primarily depends on how you beat the market. The person who is deciding on which industry to go in, now you are depending upon the ability of that person to foresee the market and where there are growth opportunities.

There is something called a conglomerate discount where some of each individual company becomes greater than the whole combined. You had instances of this as has been mentioned by several of my friends about Darbari Seth and Rassi Mody becoming incredibly powerful within the companies. And there is a quote by Rassi Mody and he says it would be legitimate if the company has decided to work separate ways. So, it is not that the Tatas haven't been entirely insulated from this problem. There are instances given in the case where they had this problem. Then, coming to the cost of diversification, costs of ignorance, neglect in cooperation and in neglect in the textile business suffered once he started diversification and he eventually had to sell it off. Then, in cost of cooperation you found that actually companies were in fact competing with each other for the same resources; question is how do you limit diversification cost?

It is interesting that accidentally or intentionally the strategy that they have pursued has cancelled out the cost of ignorance and the cost of diversification itself. When you enter new areas internally rather than by acquisition it helps you overcome the cost to ignorance. I think the logic behind this approach behind this explanation is that once you internally develop a business you tend to learn a lot more about the business than if you were to say buy it direct just because it is a high growth business. Then it is also most likely to occur when new businesses enter crisis but we see most of the business which they entered begin into crises immediately, the crisis which you have much later down the line and they started the businesses. Cost of cooperation - one way to overcome it is businesses must cooperate with each other such that cost is minimized by careful design of administrative systems and the Tatas have done this to a great extent with the TAS.

Then, another interesting point is the complete change of outlook of the group after Ratan Tata takes over. You have earlier case where they are more socially oriented in the sense that profit is not necessarily the entire and is not the only motive and they are not very aggressive. But the minute once Ratan Tata enters the picture, you see a clear shift in the outlook of the Tata group. Profits suddenly doesn't become a dirty word and more importantly he is increasingly seen as being very aggressive. And if you look at the combination of 1983-1991 strategic plan it says adopt the rules of acquisition, mergers and divestitures. You have seen this with them buying off

VSNL, they enter into a merger with Tata and sold off Lakme and ACC. Then you adopt the technology oriented policy for growth in survival.

Leadership position over 3 to 5 years in new business - in fact Amit mentioned to point that they would be selling off businesses in which they are not I mean number 1, number 2 or number 3. And increasing holding in Tata companies - this perhaps presents the biggest shift in the policy of the Tata group whereas earlier they were only holding very small percentages but point is why? That is probably the major point of why suddenly increase holding? What our group has suggested is one thing is as Amit already mentioned to consolidate his position in the Tata group because the group was in serious danger of being broken up by other power players who were getting increasingly powerful and were also very popular in their companies.

But probably and also another thing is it shows that Ratan Tata is not afraid of making money for himself, I mean the Tata group. Whereas in the earlier cases, it is all going to charities. I think Ratan Tata's strategy I think it, what it says is I am not in business for charity. I mean that is what it says; Ratan Tata is clear. There is a clear shift in his strategy and that is all.

When you mention the cost of products being lower in case and a company goes for diversification on its own rather than go for acquisition, I have slight doubt on this because I feel that when you acquire company and establish company that company has already prior knowledge of operating in that particular industry so you should gain from that knowledge. But will you necessarily gain? First thing you will be spending a lot of money in acquire and there are four different ways you can acquire a business. You can acquire a business that is doing very well and then take it over, you can acquire a business that is doing very poorly and take it over and there are the two other I don't remember exactly. But when you acquire a business that is already doing well, question is will you keep that existing man power that is there or will you; when you acquire a business, you want to take over so I presume that you will now shift that business into your way of doing business. Question is now do you still have that kind of capability? So, specific up to the strategy of managing how you go about that acquisition. Yes, it is

Well, I think this is a beautiful case for discussing strategy. What they did right and what they did wrong is not the point, this is not the point to be made in a class discussion of case. But this is a case which is beautiful because strategy we started by saying, what is strategy and the keyword there is 'long-term', is it not? As against tactics. So, this is a very long long time; it starts from J N Tata and it spans right from let us say the second half of the 19<sup>th</sup> century and now we are into the 21<sup>st</sup> century. So, that is why it is beautiful because it illustrates the strategy because it is such a long period. You can see the distinct phases through which one single house, you know with a number of constituent companies, have moved. What is the first phase? First phase you can call the visionary or the pioneering phase, isn't it? Imagine the situation when J N Tata joined his

father in business. He started by trading. We were a vassal nation not independent; we had no industry to speak of and the policy of the rulers was that they will take the natural resources from the country, manufacture it by adding value in their own country and sell it back into this vast market - that was the policy. Now, in such an environment it was but natural you know, the people would strive for a freedom and be once you are free then you will try make the young fledgling nation into strong and vibrant country. So, in that kind of phase, if you look at it from the business point of view, what was important? Competition was not important; what was the driving force? The driving force was bringing in industry in the first place and naturalize. I think that you brought in industry which helps the nation that is the core industries, infrastructure. So, these are the things which drew it.

You see there are number of first to J N Tata and the house of Tatas got in their time. First cement plant, steel plant, what else? First airlines, insurance company. So, within this mad sort of diverse unrelated thing there was a thread linking it. These were the various areas both service as well as core industry which makes the nation strong. Banking, insurance - these are service, airlines is transportation, steel it is very basic, cement it is very basic. So, there was some method in the apparent madness driven by the culture and ethos of the time, that phase - the visionary phase or pioneering phase. Then you come to the second phase and what is that second phase? I call it regulatory phase, it started with great promise for the businessman. The Bombay Plan was submitted but that came out cropper, why? Because the political dispensation lead by the then prime minister, they favored the socialistic pattern where large chunks of the infrastructure was reserved for the public sector and the industrial policy resolution said the public sector will gain the commanding heights of the economy. So, what was left over for the private sector was non infrastructure and that was at direct variance with the declared philosophy of the house of Tatas; they were kind of left out in the cold.

That was the greatest challenge, how to realign your strategy and still grow when the basic underpinnings of your strategy have been swept aside by government regulation. So, how did they weather that storm and come out of it? They had to evolve another strategy and this went on for some time till you had the liberalized era coming in and that brought with it a great force and that was what competition and how did they try to change the strategy in meeting this competition? And I think this is very happily summed up at the end. You know when Ratan Tata says the Tatas have been a club for a generation and incidentally all the prestigious clubs of western India, the oldest members and all the committees are predominantly Parsis. So, literally they had been a club generation. It is very difficult to break in into the committees of prestigious clubs, they are Parsi dominated. As a result we have become staid, solid and conservative.

So, at one time let us say in the pioneering era when that was the strength because that got the, the people came forward when you wanted to float a company with only eleven persons steel company, he could raise money from the market; that image helped. Now in the competitive era it was something which had become a threat for many years. Our risk taking ability was stunted

and we confined ourselves to marginal diversifications and expansion of facilities. Well partly that reason may have been the defensive mode in which they went into, they didn't want to risk capital into big ventures when they were under threat and attack. So, they wanted to protect their existing businesses. One way to do it is through balancing, minor diversification to build an inherent strength of your existing business and keep it alive. Rarely did we go for new and emerging technologies because that was full of risk; new emerging is what - area of uncertainty, so it is high risk.

Now, we have to take bolder steps. This is a new competitive era and he is charting the course, strategy is changing. We do have capable young people to carry out ambitious plans. We have to keep them excited mobile, lean and hungry. So, the strength of Tatas has been also the culture - the human resource - it is recognized that this has also carried us through into the next generation in the business. Besides, the lieutenants of yesterday have carved out their own domains. You are welcome if you enter these domains by ringing a bell but you dare, but dare you penetrate the boundaries unasked? Hopefully the group will again fold back together as the next generation takes charge. This is illusion to the chieftains and the satraps which had come and which he finally, he won the battle one by one, one by one. He tackled each one of them and except for the head of the hotels all the rest was done more or less gracefully I would say. So, this is a case which covers three eras of business and shows how the strategy has to change and align itself with the changes in the regulatory environment and that is what all strategic management is about. In order to change strategy successfully, you have to be strong on implementation and the implementation is made up of the design which you do to suit the changing strategy. Common design here has been culture, is solidly built on culture and shared values with other things thrown in between. Number of chapters it has drawn from a number of.

He died early at the age of 65 or something. He had worked through all this, he had gone with geologist with. But does it say anywhere that he had. Here, he doesn't say but I think he did just a made a reference that. That is, that is not factually correct. We are going outside case. Second point I think there has been a lot of credit to the group of Tatas, they come to the charity. But one question comes to our mind if charity and the development of the country was at the core of the heart, then why did they go to defensive mode when somebody else is doing that work? Public sector was doing infrastructure development, why did they go defensive mode? Because their own house business was under threat, that is survival. Sir I would say that it is not always the image building is a strategy by itself but the motivation is business.

I mean that is very true because these are charities which have grown out of a business house. I mean that point is not to be disputed. You could always float a charity. I could float a charity. I am not a businessman; then it is just for the sake of charity. But if a business comes out to charitable works, the business has to be sound, it has to generate money in order to be able to support it. It is inextricably tied up. So basic motivation is not charity I think everyone is clear on

that. Basic motivation, the group one in fact goes on this point, he says in fact basically you see he doesn't believe that there should be any charity at all; it basically should be all business. Even in the, I think the second presenter when he said there are more of charity then he was the, J N Tata was on charity, then he said – no, it is business and then many of the students disagreed. I think the boot point here is in the era we are thinking about, talking about. There was very little competition. If you set off, if you had a good entrepreneurial spark, you set up a business and you ran it wisely and well the profits would come. Then if you had a culture of saying we must help the community also as a good citizen which J N Tata had, then to maintain its profits and maintain the charity, they are not contradictory in terms. As thing get more and more competitive, more and more attention has to be given to the golden goose or the goose that lays the golden egg. Your business is what you have to concentrate on. Charity was more of a strategy because that was, charity was.

I would not quite agree with that; it was not a strategy for the business, it was subordinate to the business. The basic thing was business because as I said you can just set up charities without being in business. There are small, you hear of the big charitable doings but there are thousands and thousands of charities in India. These are just small charities which have been set up by not so rich people. The case doesn't give the image, it gives the kind of heritage. It is more the philosophy of the founder. Philosophy, I don't think it is a business strategy, it is a core philosophy; business strategy was more infrastructure. For example, when Microsoft is donating money for educating, 5 billion dollar, if he started the, Bill Gates started giving his money when he started, he was ridiculed by public that he is becoming too great and very rich and manipulating the market. Then he started to his funds for scholarships for children for education purposes and started that it is, so in that situation also. But, it is not comparable to Tatas because Tatas was proactive. Even in labor legislation, they were the first to bring it out in the world. The legislation, labor legislation, the benefits given to Tata steel employees, etcetera. They were pioneers in the whole world, no one had done it. It was not as if, because they were rebuked, there was a threat from the community, it was not because of that. Bill Gates, what you said is true; he is trying to make amends. People are saying that he has been predator, he has been a monolith, absolute monopoly. He is over-pricing his products, charging too much but that is so in the case of Tatas.

He has a point he says you have to keep up with the, you have the industrialist club and you meet him in club and he says, I say what have you done lately? I have just a school there someone says I set up a hospital. That is an interesting point - brand equity or image or whatever strategic decision for, I missed that point. But then it doesn't tally with this reflections that they became state. J R D Tata himself said that we don't do it in Tatas that is you don't set people. Now, if it were a product of strategy it wouldn't be allowed to interfere with the very business but it was interfering so the argument then is that it was part of his business strategy; it was came out of a philosophy. That is another point of view we are running of that time. He has not said a word; he

has been a very good listener so let us hear last. He has another point of view but then one way to research this is to see that in the liberalized comparative era how much of their money they are still giving to the charity? I got your point. So, you recovered everything in any case; so it wasn't charity but would you like to give some money to charity yourself as an individual tax waiver? See there is always some motive. You have to see whether he is a primary or subsidiary. By the way I would encourage all of you when you get those big pay packets to give something every year to some charity. You will get a tax waiver also but it is something you should do because we are very fortunate part of our one billion community, are we not? So, if you give away 10-15000 out of their pay packet of 3 or 4 lacs, it is not going to hurt us. It will benefit and there are many schemes - you can adopt child, pay 2000-3000 for the education, so many worthwhile NGOs are there. So, this is my recommendation to you to do that. I think it is a duty for all of us we are privileged people in our country.