Interview with Ratan Tata, Chairman Emeritus, Tata Group

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Executive Overview

As one of the oldest and most prominent business groups in India, Tata Group comprises over 100 operating companies in seven business sectors, namely, communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The major Tata companies include Tata Steel, Tata Motors, Tata Consultancy Services (TCS), Tata Power, Tata Chemicals, Tata Global Beverages, Tata Communications and Indian Hotels. Some of the major global acquisitions of Tata Group companies include Tata Tea–Tetley (2000), Tata Steel–Corus (2007) and Tata Motors–Jaguar and Land Rover (2008). The Tata Motors unveiled the world's cheapest car, Nano, in 2009. The Reputation Institute ranked Tata Group as the 11th most reputable company in the world in its 2009 annual survey of over 600 global companies.

In 2011–2012, the Tata Group had revenues of over $100 billion of which 58 per cent came from international operations in over 85 countries with over 450,000 employees world-wide. For more than 140 years, the Tata Group has been well known for its corporate social responsibility initiatives, business ethics and employee welfare. Its spirit of nationalism is evident in its setting up of core business units in steel, power, airlines and hospitality as well as world-class educational and scientific institutions. Three per cent of the group's net profits in 2011 were spent on philanthropic activities.

Mr Ratan Tata, 76 years old, was the Chairman of Tata Group until 2012, having been at its helm since 1991. He is widely credited with the global growth and diversification of the company. He has been ranked as 'India Inc.'s most powerful CEO' three times in a row and is regarded as one of the most influential voices of the Indian industry both locally and abroad. He serves on the advisory boards of several international corporations.

The author interviewed Mr Ratan Tata at the group's corporate headquarters in Mumbai. In this wide-ranging interview, he talks about the Tata Group's international journey, its Indian roots, the need for emerging multinationals to develop a global mindset in thinking, decision making and global staffing, experience with international acquisitions, the state of global auto industry and the challenges facing Indian firms in going global.

Mohan Thite is currently an Associate Professor at Griffith University, Australia. His career as a HR professional spans over 25 years, both in industry and academia. He is a Fellow of the Australian Human Resources Institute. His research and publications cover a broad range of management areas, including Strategic HRM & Knowledge Management, e-HRM/HRIS, HR in Indian BPO, Multinationals from Emerging Economies, IT Project Leadership and Global Services Offshoring. He has published 3 books and over 50 journal papers, book chapters, case studies, consultancy reports and conference papers. His published work has been cited over 500 times (h-index: 11). He has received several national and international research grants and teaching awards. He has been a Visiting Fellow to many universities and acts as a reviewer for several international journals. He can be contacted at M.Thite@griffith.edu.au

Can you describe the internationalization journey of the Tata Group?
Well 130 years ago, it probably was more international than most people believe. Tata Steel was initially run by Englishmen and Americans in senior positions. (Similarly) Tata Power Corporations were run by Americans and Canadians ... However, the landscape changed (due to increasing government restrictions placed on us) in the 1950s to 1970s and when I took over there were hardly any expatriates involved in positions of higher management. (At the time) my view was that if we were really to be international (then) we should not be seeding them only with Indians. And that has proven to be quite a challenging task (but) ultimately you would want your CEOs who could be from any country and working shoulder to shoulder with Indians. What we have found is that if we were to really go on a search for top managerial talent overseas to head a company in India … one of the biggest hurdles that I have seen (is the reluctance of foreigners to commit to long-term) relocation to India.

What are your views on the need for multinational firms to have a truly global mindset?
One of the reasons I have been keen to find a way to really prepare the organization proliferated with other nationals is that nothing changes the perspective quicker or deeper than in fact having to have a coexistence of cultures … But there is a problem on both sides, there is a problem of the foreign talent finding himself at sea with the mindset that exists or the bureaucracy that is inbred in us even in so-called enlightened companies in India and the real strength of delegation and trust and faith which in many Indian corporations still do not exist adequately as it does elsewhere … mixing of cultures and ability to speak up is another issue (because) hierarchies, stratification, even sycophancy cause many Indian corporations to live in a fools' world (and) sometimes the boss is isolated ... So, there is a need to find the new level in cultural acceptance and cultural practices and we are not there as yet ... (However) I think as a nation we are much more adaptable breed of people than let's say the Japanese … we tend to be able to adapt pretty well … So we have some advantages but as a corporation—you are absolutely right—the mindset is an issue.

To what extent the Indian way of thinking has seeped into the mindset of the Tatas?
There is no doubt that the Indian culture and Indian mindset (as reflected in) the way we look at a problem is very different from what it is in the West … In the last two major acquisitions we have made—the Corus and Jaguar Land Rover—it comes up repeatedly, it is an unconscious thing that we find what our Western colleagues demand in terms of what they call 'clarity'. The Indian executive has all the clarity he needs but it is not dotted in cross like the Western people want …They want clarity of direction three months before the person here needs it. They want it in writing whereas the Indian executive is quite happy to just exchange it verbally ... So there is a formality that the Western companies have come to accept which we don't have here. I think in many ways what we find very different and what we appreciate when we have a foreign executive (is that) he brings a lot of order, if you might, to his business.

One of the distinguishing features of the Indian multinational companies is growth by acquisition. With regard to your recent acquisitions (Tata Steel–Corus and Tata Motors–Jaguar Land Rover), what are the lessons learnt?
I have a problem answering that question because if I take away the economic meltdown, it is one story. Neither of those acquisitions had any negative surprises in their operations that we did not foresee. But you superimpose the changed environment (arising out of the global financial crisis) and that turns itself into a huge liability, not confined to them alone but confined to the sectors involved.

Corus was an opportunity to get 30 million tonnes of steel ... It also gave a foothold in the international market and it did the whole host of other things. So you have two companies whose bottom line was the same; one has the capacity five times which you had and you have profitability five times greater than earlier. So the feeling was that we can bring a lot of synergy through that and we could, in fact, make that international plant as competitive; our aim was to get captive raw material for that plant ... Same kind of thing in Jaguar Land Rover (JLR) except that we had one or two major positive surprises (in that) there was far more technology embedded and skills embedded in JLR than we had expected. The general perception from outside is that this is a has been company, has not done very much, had a troublesome product line and what we found was that all of that was true but inside it there was a very vibrant technological base which I think Ford (the previous owner of JLR) had not permitted to come out.

We also found that, for example, in Tata Motors we were able to have a new car from the acceptance of design to production in three/three-and-a-half years. Jaguar takes five years to just produce an engine. Now this is something that (makes) you go through very painful discussions, each one trying to justify why there is this difference. At least for Rover the first defence (is) that we are Jaguar, that we have overcome; but why we cannot bring out products earlier, why should it take them two years to okay a new paint that they buy from a supplier. Those are the issues that we feel we can add value by just mandating that this is not be the case. So there are issues of mindset in every company depending on how isolated or insulated they have become in the marketplace.

Do you think the world auto industry is in the process of a major paradigm shift?
If the Obama bailout package did not happen for GM and for Chrysler, both these companies are in dire … So the whole global car scene would look very differently (if) those two companies had collapsed … the auto business is a very emotive business. You produce products that people like, you sell them, you produce products people don't like and you cannot sell them.

If there were a paradigm change to take place in the auto industry I think you would see bunch of manufacturers who would design and market their brand of products and you would have contract manufacturers who would be agnostic as to for whom they manufacture for producing cars among the three or four manufacturers in different plants all over the world. In other words what I would see is General Motors closing down plants and those plants being bought up and run by third party operators who build their strengths only in manufacturing expertise and they operate on a contract basis.

How do you explain the so-called Nano effect in all this because it kind of defies logic that Tata Motors, on the one hand, acquires JLR (in premier market segment) and, on the other hand, also produces Nano, the world's cheapest car …
Everybody keeps saying that and (we were asked the same question) when Tata Motors (started manufacturing) cars (because people said) you are a truck company (with) 60 per cent market share and why are you going into cars. And then (when) we have been trying to move up the value chain (with) bigger, more refined cars in the luxury end of the market, people are saying how can you be now (producing) Nano which is at the low end! (While JLR) have gone from one owner to another, they have their entire marketing and finance structure intact. So it has been ready-made company going from pillar to post, so if you left it that way then you could not say that it is confusing because that is a company (whose) name is the same, the brand is the same … the Nano effect is just something we did not anticipate to the extent

that it has really taken off and I think the challenge is going to be to get the product out that is reliable. It is still very early days …

If we zoom out of Tatas and look at India Inc in general what you think would be its core competency and its core deficiency or challenge in moving forward?
The only thing I would say is that my frustration with working with other corporations in India is the desire for protection is still very strong and whether we mouth it openly or speak in dark corridors many of my counterparts are working overtime to make sure the competition, whether it be existing Indian competition or new entry into India, does not happen and little pinpricks or roadblocks are put in the way of having that take place ... And so we are our worst enemies because progress gets hindered; it comes in the form of government policy because that is how it is manoeuvred and I think if it were much more open then we would not have these contrived monopolies or contrived cartels that exist in India today.

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