

# Tata Group: Transforming the Sleeping Elephant

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*This paper revolves around the turmoil that shook the very foundations of the Tata group when Ratan Tata was alleviated as the chairman of Tata Sons in 1991. Since its inception in 1875, the group has consistently displayed rare strategic talent by becoming pioneers in industries such as steel, hotels, power, insurance and airlines. As of today, it is the largest diversified business group in India. The group is respected for its philanthropic activities and is also known for distancing itself from political interference. Therefore, during the days of the license raj, when most groups were diversifying aggressively, the Tatas were hibernating. As a result, during the 1970s and 1980s, the groups growth rate slowed down and relatively younger business groups like Reliance overtook the top position from the Tatas that they had maintained for decades. When Ratan Tata became the group chairman, he again expressed his intent to diversify into emerging industries given the relatively free environment of the 1990s. The powerful satraps vehemently protested. In fact, the entire unity of the group was at stake. However, against popular pessimism, Ratan Tata displayed rare managerial talent in restructuring the group, regain its lost glory and took it to a higher level.*

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*A company does not become global by simply participating in geographical markets around the world. The objective of globalization is to become globally competitive, leverage global opportunities and have the required global capabilities. It implies an organization, which employs talented people without reference to nationality. We are in the process of acquiring such competitive position and global capabilities.*

**– Ratan Tata, Chairman, Tata Sons (Hindustan Times, September 5, 2004)**

*Despite popular perception Ratan Tata has more than lived up to JRD's vision and expectations.*

**– Deepakh Parekh, Chairman, HDFC, (India Today, February 2003)**

## The Unfolding of a Crisis

After proposing the strategic plan in 1991, Ratan Tata observed: "I think we are in many more businesses than we should have been in and were perhaps not concerned about our market position in each of those businesses. I think the needs today are that we define our businesses much more articulately and that we remain focused rather than diffused, and that we become more aggressive than we used to be, much more market driven, much more concerned about our customer satisfaction" (HBS Working Paper, 9-798-037). Ratan Tata was questioned in an interview—what criteria he would choose in deciding what to keep and what not to, in his groups' portfolio restructuring exercise? He replied, "one is certainly going to be: can we be in the first three in that industry in the country? Secondly, are we willing to continue to put money and managerial resources into that industry to have it continue to be that way? The third is the most serious one, as to whether that

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