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Six In The Fray. Noel Tata Has The Edge. But Can He Last The Course?



The road ahead By throwing open the succession race, Ratan Tata is not taking sides

NOEL TATA will not have it any easier than Ratan Naval Tata, his half brother and the current non-executive chairman of Tata Sons, the Tata group's holding company. When he was named to succeed his uncle JRD Tata in 1991, Ratan Tata had faced stiff resistance from powerful men in the \$71 billion group, even though his family owned two-thirds of Tata Sons through trusts.

Tata Sons has now set up a committee to launch a global talent search, bypassing Noel's insistence on natural succession. Noel Tata, 20 years younger than Ratan, is a marketing brain, and those close to him say that his considerable skills could help the group grow much faster, particularly in overseas markets, which now contribute about 65 percent of the group's revenues.

In July, Noel was appointed managing director of Tata International, the global trading arm of the Tata group, triggering speculation that he was being groomed to take over as the next chairman. But as Ratan Tata has said earlier, the next head could even be a foreigner — merit, according to him, being the sole criterion, and the company no longer being India-centric.

Corporate historians recall Ratan Tata's appointment, which had assumed deep political overtones triggered by opposition from within the group. One night JRD Tata had even called on the then prime minister, the late PV Narasimha Rao, with Ratan Tata in tow, and requested him to rein in Russi Mody. Mody, chairman and managing director of what then was the Tata Iron and Steel Company Ltd (TISCO), and is now Tata Steel Ltd, was one among several chieftains who ruled the Tata empire. At the time, the group was an ungainly collection of companies, each with a helmsman who had been with it — and headed his company — for a year. So despite being from the

Tata family and chosen by JRD Tata himself, Ratan Tata had to fight off Mody, as well as Ajit Kerkar, managing director of Indian Hotels Ltd. which owns the Taj group of hotels, and Darbari Seth, chairman and managing director of Tata Chemicals Ltd.

It had taken time for Ratan Tata to win the race — his biggest hurdle being Mody — but sometime in 1993, he called the latter's bluff. At a board meeting, Mody had accused Ratan Tata of attempting to spread canards about him — and he had cited a TISCO shareholder, one Lakhani, as a witness to it. Ratan Tata had then called Lakhani, and along with NA Soonawala, Tata Sons' finance director, confronted Mody in his own office. And that was the last time Mody was seen in Bombay House, the group's headquarters in the Fort area of south Mumbai.



Marketing brain Noel Tata's skills could help the group grow much faster, particularly overseas

Though the selection panel has been given time till March 2011 to name the successor, it appears that an insider stands a far better chance of pulling it off. But that does not mean it is a shoo-in for Noel Tata. He will be competing with the likes of B Muthuraman, vice-chairman, Tata Steel; Ishaat Hussain, finance director, Tata Sons; R Gopalakrishnan, executive director, Tata Sons; S Ramado- rai, vice-chairman, Tata Consultancy Services; and Ravi Kant, vice-chairman, Tata Motors.

Two candidates, Soonawala and RK Krishnakumar, director, Tata Sons, could have easily made the grade, had age been on their side. Soonawala retired last year and Krishnakumar, the most respected among the Tata bosses, will also retire soon. Both are very close to Ratan Tata and are part of the five-member selection panel. The other three are Cyrus Mistry, director, Tata Sons; Shirin Bharucha, a leading Mumbai-based lawyer and trustee of several Tata trusts which hold a 64 percent stake in Tata Sons; and Lord Kumar Bhattacharya, a London-based management guru and Ratan Tata's close friend. He is the committee's external member.

According to people in the know, insiders have an edge because the perception is that only they would be able to ensure that the group's values stay intact; and thus be able to carry with them the millions of Tata shareholders who are emotionally attached to the group for the trust it commands. For instance, BT Shah, a long-time shareholder of Tata Steel, pleaded that a Tata should continue to be at the helm; and in the event of a non-Tata getting in, that person should agree for a name change.

Ratan Tata himself is insistent that merit alone should be the clinching factor — never mind if the best candidate is a non-Parsi. So far, though, only Parsis have been chairmen, and barring one, all were Tatas. Ratan Tata is clear on this. “The Tata Group is an Indian group, and we should not be known as a Parsi group. Today, the group’s revenues exceed Rs.3,00,000 crore — 65 percent of which come from overseas.”

So where does that leave Noel Tata, who is the son-in-law of Pallonji Mistry, the single largest individual shareholder in Tata Sons with an 18 percent stake? “It’s admirable to see the group going in for a transparent, merit-led process, yet would the panel have been constituted had there been a direct-descent heir apparent?” asks Jyorden T Misra, managing director, Spearhead InterSearch, one of India’s top CEO search firms. And he points to the abundance of in-house talent and members bearing the Tata name. All vice-chairmen in Tata companies are competent, but of advanced age. In such a case, Tata Sons finance director Hussain and executive director Gopalakrishnan, both in their 60s, could be ahead in the race, say insiders. Except Gopalakrishnan, all are career Tata bureaucrats steeped in Tata ethics.

Insiders have an edge over outsiders because the perception is that only they would be able to carry with them the millions of committed Tata shareholders

AMONG THE global professionals of Indian origin who are said to be contenders are PepsiCo CEO Indra Nooyi, former Vodafone CEO Arun Sarin, Citigroup CEO Vikram Pandit and Carlos Ghosn, president and CEO of Renault- Nissan. But their winning chances aren’t as bright as the insiders’, according to an analyst who tracks the group’s activities. “Outsiders will find it difficult to gel. They will take time to adjust, and if something goes wrong, it would be a setback for the group. You know how some reputed American CEOs fell after scams. There could be a conspiracy by rivals to plant someone to destabilise the group.”

For his part, Ratan Tata has taken a neutral stance. “I don’t want to speak in favour of, or against, anybody. Why do you pre-judge?” he asked a company shareholder, Adil Irani, who came out openly in support of Noel Tata and devised a supposedly ingenious way out of the succession riddle. “The last (letter) of Jahangir’s name (JRD Tata) was R, and the next chairman Ratan’s name began with R. Now, the last (letter) in Ratan’s name is N, so the next chairman’s name must begin with N. Thus it must be Noel,” Irani suggested.

To this, Ratan Tata promptly replied, “It could then be (HM) Nerurkar (the Tata Steel managing director).”