

Chandra Gets Into Stride on Makeover Marathon

Tata Sons chairman N Chandrasekaran is seeking to transform the group into one that's more intensely focused on profitability and growth

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When Tata Sons chairman emeritus Ratan Tata and a fellow trustee strolled into Bombay House a few weeks ago to meet chairman N Chandrasekaran, there was a flutter of excitement. In the year that he's been in charge, the chairman has rolled up his sleeves and got to work on restructuring and reinventing the group. That's been accompanied by a few abrupt senior-level exits in the wake of top new hires as Chandrasekaran transforms the organisational structure into one that's more agile and performance oriented with an intensified focus on profitability and growth.

Given that the drama of Cyrus Mistry's ejection from Tata Sons is still fresh in public memory, the heightened pulses weren't surprising. There's been chatter that the leadership team has had to defend itself on some of its M&A and people decisions. Some grumbled that new appointees were being given too free a hand to build their own teams unlike before when those who came from outside the system like Arun Gandhi, Ishaat Hussain and R Gopalkrishnan worked with existing staff.

"The grouse is that, are the external hires really better than internal talent? Have not such senior talent in the group proved their merit over the years?" said a top Tata executive. Some staffers said the signal seemed to be that existing talent was not critical in the new scheme of things. Another complaint was that those who were typically consulted before on matters related to acquisitions—such as bids for assets being sold off in ongoing bankruptcy proceedings—were not being tapped.

And, it didn't go unnoticed that soon after the Bombay House meeting, the move to put Tata Global Beverages Ltd (TGBL) subsidiary Amalgamated Plantations on the block was withdrawn by Tata Sons.

However, all speculation was sought to be firmly squelched by people close to the chairman's office. "Our chairman meets Mr Tata regularly—nothing unusual about that," said one.

Ratan Tata declined to comment. Responding to an ET query seeking his views on the organisational changes and reports of the old guard's discontent, Tata said he did not wish to express an opinion or comment on the business decisions of the Tata group.

A Tata spokesperson refuted any and all speculation.

"We do not wish to respond to a mixture of half-truths and falsehoods obtained from unnamed sources. However, we would like to point out the following facts: The senior management in the Tata Group have always had a free hand to build their own teams as per the requirements of the role and that practice continue. Leadership development across companies in the Tata group continues unabated and there are many examples of talent from within the group being deployed in new roles and positions," he said.

Chandrasekar believes in finding the right talent for the right role, the spokesperson said.

"The Tata Group is an exciting destination for many career professionals and as each company charts an aggressive growth path, we continue to induct high-quality professionals from industry. High levels of employee motivation, morale and energy are clearly visible across Tata Group with many companies showing improved performances over the past few quarters," he said.

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Insiders told ET that some senior executives had sought to meet Ratan Tata to give vent to grievances about what they said was high-handed behaviour by some newly hired managers. While Tata is sensitive to the group's standing as a benevolent employer, he's equally aware that Chandrasekaran needs a free hand, they said. Tata is understood to have tried to accommodate many members of the old guard who found themselves out of place under the new dispensation at the Tata Trusts, which he controls.

Chandrasekaran is a professional manager and he will have an operating style different from group promoters said a former Tata Sons director.

"Let us accept it that he has a job to do and these are not vindictive moves but a carefully planned strategy to achieve business goals," he said. "Many of the old guard have worked closely with Ratan Tata and several other top Tata officials. But whether they have a role to play in the current scheme of things is for Chandrasekaran as a leader to decide. The group needs drastic changes and there will be many people in the group who will not like such changes."

Those close to the chairman's office said no one had been asked to leave and

many of the exits were of those who are retiring or were on extension. Several external hires have been for new roles such as chief analytics officer. "We are making a system that is more agile and accountable," said one of the persons cited above. "We have been criticised for not focusing on profits and to do that such tough decisions have to be taken."

As each company charts an aggressive growth path, the group will induct high-quality professionals, said another person. "If you look at our office today, there are better energy levels and Chandrasekaran has brought in more diversity," he said. "The fact is everyone resists change but if a job has to be done, it has to be done. If certain talent doesn't exist in the system, it is the leader's prerogative to hire such talent. It is about building a youthful, agile team and in any case Chandrasekaran is not participating in a popularity contest."

The Tata group is essentially Tata Consultancy Services (TCS), which Chandrasekaran used to head, with

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a group of satellite Tata companies in other businesses with long histories but relatively less value, said Aswath Damodaran, professor of finance at the Stern School of Business at New York University, where he teaches corporate finance and equity valuation. "The decisions within the company should and are starting to reflect that reality. There will be pushback from older Tata managers, who remember the good old days when Tata Steel was the centre of the Tata universe and JRD Tata started Air India," he said. "There is a time for tradition in every company but business is business. At some point in time, Disney had to move beyond Walt Disney's plans and constraints and the same can be said for Microsoft and Bill Gates."

The key is that the board of directors back the chairman as he takes hard decisions, Damodaran said.

"With Chandra, my advice would be to not trust the bankers," he said. "They are deal makers and their incentive to get the deals done, even if they are bad deals, is strong. Have a team within Tata that is financially savvy and strong-willed."

One person who quit as managing director at a Tata company said he was asked to change business decisions several times by the group's top leadership, making his job difficult. Another person said many decisions were stopped midway after his team had started implementing them.

It's not in the Tata group's culture to sack people overnight. But several executives from the economics department were recently asked to leave by March 31 after the appointment of a new boss, some people said. Tata Review editor Christabel Noronha, a long-time group employee and the former head of corporate affairs, left to join the Tata Trusts. Nirav Khambati, who used to work in Ratan Tata's office and was tasked with steering the Tata@150 celebrations this year, quit abruptly a few weeks back. Long-time Tata employee Mukund Rajan quit recently as group ethics officer.

When an organisation is looking at a shift in strategy and priorities but wants to hold on to its values, it is important to communicate that to the employees, especially those who are change resistant, said Kavil Ramchandran of the Indian School of Business.

"Usually, a chairman brings in one or two people for fresh thinking so that his is not a lone voice at change," he said. "At Tata, where many external talents have been brought in, Chandrasekaran will have to do what he thinks right as a strategy, but he needs to improve the quality of communication within the organisation to prepare the ground."

The environment is vastly different from what it used to be and it's too early to judge Chandrasekaran, said Peter Casey, executive chairman, Claddagh Resources, an executive search firm in London, who's known the Tata Sons chairman a long time.

"It will be many years before the jury delivers the final verdict on Chandra's leadership," said Casey, who compared his job to running a marathon. "But he has embraced the challenge like any marathon, a lot of planning, a lot of pain and a lot of satisfaction."

And Chandrasekaran, as everybody knows, is a highly seasoned marathon runner.



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