



SUCCESSION PLANNING AND ITS IMPORTANCE IN TATA GROUP - CASE STUDY

Prof. M. Sivakumar* **Prof. Hermina Coreara**** **Suraj Bajaj*****

**Asst Professor and Research scholar, Loyola College.*

***Asst Professor and Research scholar, Loyola College.*

****I B.com, Loyola College.*

INTRODUCTION

Succession Planning can be explained as the process of allocating human resource to the different levels of management, but as a part of a long process that begins before the actual vacancy of the particular position. It can also be explained as an ongoing-grooming process for existing young and potential filled talent to occupy higher and better positions to help contribute to the organisation progress and growth.

The basic procedure to any given Succession Planning process include: Analysing the organisation; Making key observations; Creating a pool of potential candidates; Development of the candidates; Monitor the progress and suggest changes, if required.

The common method that is prescribed at lower levels to fill openings and vacancies is that of a straight-forward Replacement Hiring. Under this method, a straight swap for the requirements with candidates from the outside takes place. On the other hand Succession Planning which was predominantly used in Family Owned business where the elders would pass on the business from generation to generation would groom young managerial talent to take over the reins of the organisations. However in recent times even the powerful corporate sector is gradually adopting this method of Staffing.

IMPORTANCE OF SUCCESSION PLANNING

When the comparatively more traditional method is matched up against the process of Succession Planning, we can observe the superiority of the same as it is a more flexible process with the availability of various options to the same question. It works well in the dynamic environment around the organisation as it is a time taking procedure that gives the grooming and development adequate time to understand the changes and new situations in the ever-changing Business Environment. Along with the given, Succession Planning is advisable as the candidates are affected mentally and psychologically in a positive way. They are made to feel a sense of belonging and medium to understand and fulfil the potential. By increasing the employee satisfaction the business is helping itself out as a motivated and happy Work Force is a boon to any organisation.

On the overall, Succession Planning serves as an excellent platform for the young, driven and talented potential of an organisation to scale up and reach a position where they can make even more significant contributions to the organisation and eventually lead the same to greater heights with the complete co-ordination and proper leadership.

OBJECTIVE

1. To understand the role of Succession Planning as an important method of Staffing for the Top-Level Management.
2. To understand the current shift of Power at Tata Sons.

SOURCE

In this presentation, due to a time restraint I have utilised only Secondary Data. Owing to logistical and availability reasons Primary Data has not been adopted.

I have used Journals, The Internet and Reference Books.

LIMITATIONS

In the preparation of this paper, I have faced the problem of availability of facts and figures due the reliance on Secondary data. This paper is an overview of the particular case and not the general feel to Succession Planning.

SUCCESSION PLANNING IN THE CASE OF TATA GROUP

One of India's most respected and successful conglomerate, The Tata Group is facing an image damaging crisis. With the appointment of Cyrus Mistry as their Chairman back in 2011, Tata was taking another bold step in their corporate governance. Tata was at a solid position on all fronts under the guidance of former chairman Ratan Tata. He focused on placing a strong framework in the Tata group and the individual companies held by them, based on the famous 'Tata beliefs' and the 'Tata culture'. Ratan Tata had spent decades of his time in office to structure Tata Group and give the organisation the image of one of India's finest groups. He unified the various holdings into one big group with a common logo and value system. This proved to be a catalyst for his immense success at the reins of the Tata Group.



After enjoying years of success, it was time for Ratan Tata to pass on the baton to someone capable enough to handle the empire that was so painfully set up by the 148-year old company. The chosen one to lead the group into their next phase of progress was 50-year old, Cyrus Mistry. After impressing a selection committee, Mistry was elevated from Director to Chairman of Tata Group. However this transition did not yield the expected results for the Tata Group. As per reports and top Tata officials, Mistry wanted to ease the framework at the various holdings, by giving each company more power and decision making powers and even set up a separate group to assist him in this shift of ideals.

The Tata Trusts who are majority shareholders in the Tata Group were not too content with this change in the fundamental and binding policy. Sources close to Mistry have claimed that he was trying to create a stronger Group by mobilising each company and supposedly would improve decision making and enable the companies perform more efficiently. He strongly believed in making Tata Sons merely a consulting corporate centre that would provide aid in time of need. This was seen as an ease in the policy that bound the Group and that was set in place with years of work from his predecessors. There was an instance given by the Tata Trust in response to their claims on Mistry's improper steps to take the Group forward, where when the government had come out with a defence contract two Tata Companies were bidding for the same contract, when the two should be combining together and use each other's immense engineering resources and come up with better proposals and bring a better share of the 60,000 contract to the conglomerate.

Like every story, this too has a different side that is believed by the Mistry camp. Cyrus Mistry has in a series of meetings and letters accused the alleged Tata Trust in constantly interfering in his decisions and policies. He has even presented an article in the Tata Sons' Article of Association that required an affirmative vote from the Independent Directors (IDs) on any decision made by Mistry. This was later denied by the Tata Trust directors saying that they actually amended the very same article to an affirmative vote by most of the directors rather than all the directors. Such conflicting interests from the two parties were common and eventually led to the formations of camps in India's top conglomerate.

The Boardroom battle of top Tata veterans would show up on various Tata companies, with the companies which were dominated by Tata Trust trustees, complaining that the special unit initially set up for the sole purpose of assisting the Tata Empire was now interfering in the functioning of the Tata Group companies.

This again was countered by Mistry by claiming that the existing situations were brought about by the previous directors when they lent a loan to The Siva Group to partner with them into a venture in the Tele-Services field that was a non performing asset. The boardroom battle saw new twists and turns when the claims of Mistry taking major acquisition deals without the consultation of the Tata Trust. The Bombay House office of Tata Sons was now witnessing never seen before meetings and accusations doing the rounds of the company known for its extremely close knit and strong structural framework. The other major problem that the Trust was facing was the lack of progress in the Tata Group held companies.

Majority of the companies faced a fall in growth; with the problem of dividend declaration too it was clear that Mistry was not performing well enough to carry forward the Tata Sons Group. Even in the jewel in Tata's Crown, TCS was facing a cash conversion problem with the groups over dependence on the Consultancy giant it was quite a risk to continue to do so and Cyrus Mistry continued to neglect this fact. The overall dividend income from the other companies also fell, thus proving the fall in the performance of the Tata Group under Mistry.

These constant problems, breakdown of Trust between the groups and the underperformance under the leadership of Mistry, saw his tenure at the very top of the Tata Conglomerate come to an end at the hands of the Directors of the Tata Trust. Mistry however challenged the decision and an Emergency Meeting was called upon for the minority shareholders to make a final decision via vote where they were to vote for or against Cyrus Mistry and his cause along with his alleged close supporter Nusli Wadia who was a catalyst in gathering support for Mistry and helping him out. With the shareholders opting to vote him out of the Chairman's position, Mistry still remains at the Directors position at The Tata Sons. Another Emergency meeting on February 6th has been called upon to remove him from the directors' position.

FINDING AND CONCLUSION

On the overall, this reputation damaging issue could have been handled better by all the parties involved in the split. However the problem lies on the sides of both the parties with the Trust being too protective of its values, they were not able to give Mistry the space and time to work himself out of the damaging position he was in. The Trust should have also understood the position of the Conglomerate post Ratan Tata; the key areas were eventually going to fall. The overall handling of his ouster could have been performed better. On the other hand Cyrus Mistry should have understood the very basic of the Tata Sons and respected the framework.



He should have functioned in his designated and authorized power. His radical decisions and keeping the Trust in the dark about his decisions was wrong. In this particular case the Succession Planning of the Tata Sons did not go as per plan. This is a prime example of a better process of getting the best person for the vacancy. The Succession Planning here did not work out for both the parties with the Trust not properly making Mistry aware of the requirements and grooming the chosen one for leading the conglomerate in the 'Tata Way'.

On the other hand, who did not adapt himself to the surroundings and adapt himself. He clearly had potential but failure to adapt and understand the requirements caused him his downfall. This dual aspect of the Tata Group case serves as a suitable example for the basics and Understanding of the Importance of proper Succession Planning.

REFERENCES

1. Succession Planning Basics, By Christee Gabour Atwood, October 2007.
2. Succession: Are you ready? By Marshall, Harvard Business press, 2001.
3. Effective Succession Planning ensuring Leadership continuity and Building talent from within. By William J. Rothwell American Management Association.
4. Forbes India, December 23rd, article- Civil War.
5. www.hindustantimes.com.
6. www.thehindubusinessline.com.