

## **The Controversy begins-**

### **(A case Study on Clashes of Personality, Leadership Style and Different Vision)**

#### **Case Scenario**

The Tata Sons Board voted to remove Mistry from the Chairmanship of Tata Sons on 24 October, 2016.

**New Delhi, Oct 26:** Ousted Chairman of Tata Sons, Cyrus Mistry, wrote a hard-hitting letter to the Board in the aftermath of his sacking. Mistry expressed shock over his removal and conveyed to the group that his firing was not justified. Mistry also sought an opportunity from the Board members to allow him to defend himself from the brazen charges leveled against him by the detractors. According to Mistry, the outcome of October 24 high-level meeting which led to his ouster is invalid. Mistry has accused the Tata establishment of taking the step in violation of corporate governance norms.

Mistry was informed about his sacking on October 25 via an emailed letter. Tata Sons have replaced him with former Chairman Ratan Tata for an interim period of four months. Ratan Tata is also part of the four-member panel constituted by the Board which would appoint the new Chairman of the group within the period of four months. In his letter, Mistry justified the various decisions taken by him during his tenure, which his detractors have called 'contentious'. Mistry also highlighted the success which emerged after 2011, when took control. "The Tata Group valuation from 2013 to 2016 increased by 14.9% per annum in rupee terms as against the BSE Sensex annual increase of 10.4% over the same period," he said.

#### **War of Words**

The succession story has gone all wrong with the board of Tata Sons, on October 24, voting in favour of ousting Mistry as its chairman. Tata is back as interim chairman "in the interest of stability and continuity so that there is no vacuum" in the top management of the group, he told the CEOs of various group companies during a meeting on October 25. Tata has said that he will hold fort for four months, in which time a selection committee is to identify Mistry's successor.

The principal shareholders of Tata Sons justify the move on the grounds that Mistry had "overwhelmingly lost the confidence" of members of Tata Son's board of directors, on account of "repeated departures from the culture and ethos of the group".

One of the statements issued by Tata Sons on this matter states that Tata Sons directors had been repeatedly raising queries and concerns on certain business

issues and trustees of Tata Trusts were increasingly getting concerned with the growing trust deficit with Mistry. Therefore, the largest shareholder of Tata Sons and Tata, chairman emeritus of Tata Sons, himself decided that it was time for Mistry to go.

Mistry has cried foul. In a letter addressed to Tata Sons' directors and members of the Tata trusts, Mistry wrote that he was "shocked beyond words" at what had transpired and the treatment meted out to him.

The resolution to replace Mistry as chairman was not specified as a standalone item in the agenda of the board meeting on October 24 and was brought up for discussion as a part of the 'other items' that are usually reserved for the last. Mistry contends that he was replaced "without so much as a word of explanation and without affording him the opportunity to defend himself".

Mistry then proceeded to outline the various challenges faced by group companies including Tata Steel, Tata Motors, Indian Hotel Co. Ltd, Tata Power and others. He also argued that the group's global acquisition strategy, barring Jaguar Land Rover and Tetley, had left "a large debt overhang" on it. He continued that a realistic assessment of the fair value of the businesses of IHCL, Tata Motors' passenger vehicles division, Tata Steel Europe, Tata Power's power plant in Mundra and Tata Teleservices "could potentially result in a write-down over time of around Rs 1.18 lakh crore. In addition, he cited various instances of alleged lack of corporate governance within the group".

"In the face of the above challenges, I had to take many tough decisions with sensitive care to the group's reputation as well as containing panic amidst internal and external shareholders," Mistry said in the letter. "Despite bad press, impairments were taken to clean the books but substantial exposure remains. Dividends were reduced to conserve cash for needed investments in the teeth of shareholder fury."

Thus Mistry decided that kingship shouldn't know any kinship and tough decisions had to be taken, even if it meant eroding parts of the legacy left behind by his revered predecessor through divestments.

Tata Sons' statement has called Mistry's claims "unsubstantiated" and allegations "malicious".

## **Case Analysis**

This case helps us to understand how difference in personality leads to different working and leadership style which directly affects person decision making and management style as well.

Have a look on background, personality and career graph of Cyrus Mistry, he has all the qualities of a good leader and he prove it as well. In spite of this due to difference in personality and leadership style of Cyrus Mistry and Ratan Tata, it results into removal of Mistry from Tata group.

May be if Mistry would be in some other company where vision and mission of company management supports his working style he could be appreciated for the same actions he has taken.

## **Cyrus Mistry**

Mistry was born to a Parsi family in Bombay, the younger son of Indian billionaire and construction magnate Pallonji Mistry by his wife Patsy Perin Dubash.<sup>[6][7]</sup> Both his parents belong to the Zoroastrian faith and have roots in India. However, Mistry's mother was born in Ireland, and his father chose to take up Irish citizenship. Mistry has an elder brother, Shapoor Mistry, who is also an Irish citizen, and is married to Behroze Sethna, the daughter of Parsi lawyer Rusi Sethna. Mistry also has two sisters, Laila and Aloo. Laila is married to Rustom Jehangir, a London-based portfolio fund manager.<sup>[8][9][10]</sup> Aloo is married to Noel Tata, the half-brother of Ratan Tata.

The Pallonji family have been active in business for over a century, and it was in the 1930s that Mistry's grandfather, Shapoorji Mistry, first acquired a stake in Tata Sons. The stake, which now stand at 18.5%, is presently held by Mistry's father, and comprises the largest block of shares held by a single party; some 66% stake in Tata Sons is controlled by charitable trusts set up by the family. Mistry thus grew up in affluent circumstances. He studied at the prestigious Cathedral & John Connon School in South Mumbai, and then moved to London to study at Imperial College for a B.Sc. degree in civil engineering. He then went on to take a M.Sc. in management from the London Business School.

## **Career**

In 2012 Mistry has been managing director of Shapoorji Pallonji & Company, which is part of the Shapoorji Pallonji Group. He joined the board of Tata Sons on 1 September 2006, a year after his father retired from it. He served as a Director of Tata Elxsi Limited, from 24 September 1990 to 26 October 2009 and was a Director of Tata Power Co. Ltd until 18 September 2006. Mistry was appointed as the chairman of Tata Sons. In addition, he was also chairman of all major Tata companies including Tata

Industries, Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power , Tata Teleservices, Indian Hotels, Tata Global Beverages and Tata Chemicals.

In 2013 article, *The Economist* categorized him as "the most important industrialist in both" India & Britain.

***The possible reasons of his failure in TATA sons might be:***

**1. Difference in beliefs, values, and vision.**

- There was a fundamental disconnect between Mistry and Tata, particularly with regard to ethos, values, vision and the direction that the group was headed in.
- Detailed letters were sent to Mistry asking him to spell out his vision, five-year plan, etc, but the responses were vague and non-specific.
- Things got aggravated as the chairman of Tata Sons and Tata Trusts were not the same individual. (This happened only once before when Ratan Tata was heading Tata Trusts and JRD Tata Tata Group) The former was not a Tata family member but represented the single largest shareholder while the latter was a custodian of century old legacy.

**2. Mistry's decision to do away with non-profit businesses and concentrate on cash cows.**

- He reformed business practices in the group asking the group companies to earn the right to be part of the portfolio.
- His decision to sell off Tata's steel business in Europe which was bought by Ratan Tata in 2007.

### 3. Style of functioning and leadership skills

- While Ratan Tata believed in empowering his team to make decisions, Mistry believed in **Micromanagement**. The managers, most of them leaders appointed by Ratan Tata were used to the earlier functioning of the group.
- **Collapse of negotiations with Vodafone** who earlier were interested in buying out Tata Teleservices can be attributed to Mistry's Centralized Micro Management.
- **Mistry's eye for talent** according to some company executives is questionable. The crucial post of the group CFO remained vacant for almost 3 years after the retirement of Ishaat Hussain.

### 4. Clash between the working styles of the old and new generation.

- Group Executive Council (GEC) was formed by Mistry after taking over the reins from Ratan Tata with the objective of providing strategic and operational support to him.
- **Only a handful of its members had actual operational experience of running a business.**
- GEC had been under fire from Ratan Tata himself and some veterans feel that some of the recent decisions taken were questionable. Some of them perceived it as a **parallel power centre**.
- There is a view that Mistry's move to take hard decisions may have increased the tension between the board and the chairman, which ultimately resulted in the unceremonious sacking of Mistry.
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### 5. Conflict of Interests

- Mistry didn't relinquish his Irish citizenship though as Tata Sons chairman should have.
- Concerns were also voiced about conflict of interest regarding award of contracts to construction companies of the Shapoorji Pallonji group even after Mistry took over.

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