

ROLE OF CORPORATE GOVERNANCE IN TATA COMPANY: DECODING THE CASE OF CYRUS MISTRY

By *SHLOKA SHAILESH RASAL*

“Corporate Governance is about promoting corporate fairness, transparency and accountability.”

~ J. Wolfensohn, President of the World Bank¹

ABSTRACT

The Tata Group- a salt to software multinational, an Indian conglomerate, exhibits across 6 continents in more than 100 countries, persists to dominate the Indian corporate world for more than 149 years. On October 26, CEO Cyrus Mistry was brusquely removed from his prestigious position, although he served the organization for four years. Throughout Mistry’s tenure the turnover of the organization consequently attenuated with a surge in the debt rate. Therefore, the primitive reason for Mistry’s removal cited by Ratan Tata was his poor performance. This event was none other than a surgical strike at India’s largest conglomerate. This episode however raised questions on corporate governance and succession planning at the group. The author endeavours to elucidate The OECD principles on Corporate Governance and then examining whether those principles are compiled by the Tata Group. This paper navigates the policies of succession planning while discussing the passing off reigns primarily from JRD Tata to Ratan Tata and later to Cyrus Mistry. The paper concludes by decoding the Cyrus Mistry saga along with observations of Corporate Governance in the Indian context.

Keywords: The Tata Group, Surgical strike, Corporate Governance, Cyrus Mistry, Succession Planning.

¹ Financial Time: June 21, 1999.

INTRODUCTION

Corporate Governance is a systematic framework coherent to the rule of law, backed by effective administration and enforcement. The Corporate Governance framework determines the appropriation of rights and obligations among various members in the organization, for example, the stakeholders, board, shareholders and managers to promote transparent markets with an effectual allocation of resources resulting in economic growth.²It also stipulates a structure that spells out the objectives of the Company along with the process to conquer those objectives.³The framework encompasses elements of regulation, voluntary commitments, legislation, self-regulatory arrangements and business practices that a market participant relies on while established a contractual relationship. These elements can adhere to the aspect of soft law that is based on the “Principle of Comply or Explain”⁴to permit flexibility to individual companies. Furthermore, national legislators along with the regulators must duly consider the relevant necessity for as well as the outcome from, cross-border co-operation through multilateral and bilateral arrangements while developing a framework under each jurisdiction. The requirement and practices of Corporate Governance are influenced by a range of legal domains- Company Law, Contract Law, Taxation Law, Labours Law, Human Rights, Securities and Exchange Board of India, Insolvency Law, Environmental Law. Therefore, effective Corporate Governance is essential to illuminate the risk of an organisation derived through an array of legal statutes.⁵

While inferring to SEBI guidelines Clause 49, we can determine that ‘fairness, security and accountability are the anchors of Corporate Governance’⁶. At the point when we discuss the anchors of Corporate Governance, the primary name that rings a bell is the ‘Tata Company’. Tata Company’s Corporate Governance is established on the philosophy of transparent government practices, ethical behaviour, honesty, professionalism and integrity. Tata Business Excellence Model in adherence to the fiduciary relationship against all stakeholders is undertaken by the Board as well as all the Committees to ensure fair play. Its Directors,

²G20/OECD Principles of Corporate Governance - OECD, <http://www.oecd.org/corporate/principles-corporate-governance/> (last visited Oct 30, 2020).

³G20/OECD *PRINCIPLES OF CORPORATE GOVERNANCE 2015*, (2015), https://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015_9789264236882-en (last visited Jul 27, 2020).

⁴ G.C. Hadjikyprianou & Associates LLC, “*The Principle of ‘Comply or Explain’ Underpinning the UK Corporate Governance Regulation: Is There a Need for a Change?*”, *Corporate Law: Corporate Governance Law Journal*, Vol 7, Issue 81, November 27, 2015.

⁵ OECD (2020), *Duties and Responsibilities of Boards in Company groups*, Corporate Governance, OECD Publishing, Paris, ISBN: 978-92-64-75208(pdf.)

⁶ *Re: Edynamics Solutions Limited and others v Securities and exchange board of India*, Indlaw SEBI 65(2020)

Committees and Employees have to mandatorily abide by the 'Tata Code of Conduct'. The Tata company duly complies with the requirements of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("SEBI Listing Regulations") and the provisions related to Corporate Governance cited in The Company's Act, 2013.⁷The Tata Company- '*salt to software conglomerate*' is dominating the Indian Corporate Market for 149 Years. However, in October 2016, Cyrus Mistry who served as a CEO was abruptly amputated from his position in reference to the company's performance. The turnover of the Company dropped drastically whilst increase in debt. This event was like a Surgical Strike in India's largest conglomerate.⁸This paper navigates on how inefficient Corporate Governance leads to a downfall of a largest conglomerate amidst decoding the case of Cyrus Mistry.

RESEARCH OBJECTIVES & RESEARCH QUESTIONS

❖ OBJECTIVES

- To understand the evolution of Corporate Governance along with the recent statutory reforms undertaken to protect the interest of the stakeholders and shareholders of the company.
- To examine the Contemporary working mechanism of Corporate Philanthropy as a Metaphor for the economy.
- To analyse the role of Corporate Governance in Tata Company, by entailing a robust observation on the 'Tata Business Excellence Model'.
- To decode the 'Cyrus Mistry Saga' by comparing the reign that was passed off from JRD Tata to Ratan Tata and lastly to Cyrus Mistry.

❖ QUESTIONS

- How did the theory of Corporate Governance evolve in India?
- What measures are undertaken by Tata Company to facilitate accurate mechanism of Corporate Governance to safeguard the interest of the shareholders?
- Which vulnerable factor contributed to the downfall of Tata Company during 'The reign of Cyrus Mistry'?

⁷ 73rd Annual Report on Corporate Governance of Tata Motors (2017-2018)

⁸Surbhi Bedi & Sandeep Vij, *Surgical Strike at Tata Group*, 12 2017 (2017).

CHAPTERIZATION

- I. Introduction.
- II. OECD Principles pertaining to Corporate Governance.
- III. Evolution of Corporate Governance: An Indian Scenario.
- IV. Corporate Governance: The Tata Style.
- V. Decoding the case of Cyrus Mistry.
- VI. Discussion and Recommendations.
- VII. Conclusion and Bibliography.

PROPOSED RESEARCH METHODOLOGY

The research paper revolves around the issue ‘The role of Corporate Governance in Tata Motors whilst decoding the case of Cyrus Mistry’. To derive an outcome on this contemporary issue a robust task is entailed before the researcher to analyse the Annual Reports of the Tata Company.

In accordance to derive to an insightful and relevant outcome the research will be conducted by primarily using *Doctrinal Research Methodology* to examine whether The Tata company Complies to statutory provisions listed under The Securities and Exchange Board of India clause 49 along with The Organization for Economic Cooperation and Development principles (OECD). Secondly, *Exploratory Research design* is utilized to explore the issue of how inefficient Corporate Governance can hamper the global economy while focusing on the Cyrus Mistry saga. The research endeavours the nexus of Corporate Social Responsibility and The Corporate Governance post conception of The Companies Act, 2013.

Similarly, the sources for research were derived through *secondary data*. Secondary data comprises of books, articles, journals that are available on the internet. For this paper the researcher has used secondary resources, mainly the Annual Reports of all the subsidiary companies of the Tata Company available on www.tata.com. The researcher adheres to the citation format- Bluebook Law Review 2019 ed and The American Psychological Association (APA) for Bibliography.

LITERATURE REVIEW

- ***“A Study on The Impact of Corporate Governance on Financial Performance”, written by G. Madan Mohan and Mari Muthu, published by ICTACT Journal on Management Studies, in February 2015 Volume 1, Issue 1:***

The paper encompasses the evolution of Corporate Governance within the Indian Corporate World backed by the reform's formulated post the inception of SEBI clause 49 of Listing agreements. The authors justify that valid evidence proof doesn't prove the connection between great corporate governance and production of significant worth for an association, there is solid proof in the past to attest the obliteration of good qualities by awful corporate governance. This was unequivocally exhibited by the Satyam Scandal in India during 2008 - 09 and occurrences in the corporate world, for example, Enron, WorldCom, and so on. This article helps the researcher to apprehend that frail corporate governance denotes a red sign which must be painstakingly checked by all partners of corporates just as the administration administrative bodies. The paper however, only lays emphasis on the statutory framework of SEBI and fails to cite the six anchors of Corporate Governance derived by OECD Principles along with the mandatory provisions laid down by The Company's Act, 2013.

- ***“Corporate Governance at the Crossroads”, written by Chew, Donald, H. and Gillan, Stuart, L, published by Tata McGraw-Hill Publishing Company Ltd, New Delhi in 2006:***

This book is divided into four chapters. The first chapter lays an emphasis on a brief overview of the Industrial revolution of Corporate Governance encompassing a theory on value maximization of stakeholders. The second chapter deals with the nature of Corporate Governance and the Business Ethics. Lastly, the third and fourth chapter deals with the internal and external governance of an organization. This book helped the researcher to acknowledge the significance of disclosing financial reports to result goodwill accounting of the company. This core issue that the book attempts to address is the impact on internal and external affairs of a Company due to inefficient governance.

- ***“Impact of Corporate Governance in India” written by Arunima Rao, published by The Journal of Corporate Ownership and Control in 2014, Vol. 12, pg.55-66.***

This paper attempts to rationalise the impact of Corporate Governance (CG) on Financial Performance considering the nexus between Corporate Governance and Firm Characteristics utilizing an example of huge recorded Indian firms over the period 2008 to 2011. The author established a "CG Index" utilizing six significant governance systems covering a sum of 44 boundaries influencing the condition of governance of Indian organizations. The investigation of The Corporate Governance Index for a time of four years found a rising pattern in the degree of the corporate governance practices of Indian organizations. The researcher looks at the connection of CG Index on firm qualities utilizing synchronous equation mode. The results show that there is a solid association between CG Index and the market execution of organizations. This article however, fails to enlighten the statutory provisions which are mandatory for the Company to comply.

- ***“The Tata Corporate Governance Episode: The ‘India-Specific’ Issues and Concerns” written by Priya Garg, published by The Journal of West Bengal University of Juridical Sciences:***

The author solitary explains the contemporary tussle between the Tata Company’s corporate structure and the Indian Corporate Laws. She also denotes the derivation of Indian Corporate Laws from the US Sarbanes Oxley Act although, the structure followed India varies from the US. This Article helped the researcher in apprehending the broad issues in Cyrus Mistry case- weak ‘board’ in a large conglomerate and exploitation of interest of minority shareholders by the majority shareholders. This case sustains as a Metaphor of Inefficient Corporate Governance since Cyrus Mistry contention in NCALT states that Ratan Tata did not disclose the grounds of his sudden removal in the Board meeting.

- ***“Corporate Governance and Leadership- A Case of Infosys and TATA”, written by B. S. Hothi, published by The Amity Journal of Strategic Management May 2018, Vol-1, Issue-2:***

The author endeavours the issue on why India does not have an incredible reputation with respect to corporate governance. In any case, it has been positioned higher than various other Asian nations, for example, South Korea, Indonesia, China, and the Philippines by 'The Asian Corporate Governance Association'. Similarly, the author explores the ongoing saga of Tata and Infosys, the organizations which were the mainstream for their high notoriety for governance, presently lie shredded. The corporate skirmish of the largest multinational conglomerate in India has set off the requirement for transparency and defending that interest of all the minority shareholders. From this paper the researcher grasped that there is a requirement for regulators to come out with regulations in the wake of considering market members feeling on redesigning of the manner in which recorded firms complete their obligations. It is critical that organizations which have a picture of good governance are in an administration tussle. The two known for their moral qualities and their pioneers for their solid dynamic are in the media.

OECD PRINCIPLES OF CORPORATE GOVERNANCE

The OECD is an extraordinary forum wherein governments to emphasis in addressing the economic, environmental and social defies of globalization.⁹The OECD endeavours to apprehend and to assist the governments to counter the contemporary advancements and concerns, for example, corporate governance, and the challenges of a senescent population.¹⁰The Organization contemplates a platform where governments can encounter and compare strategies, governments can look at strategy encounters, look for answers to normal issues, ascertain good practice, and work to synchronize domestic & international policies. The Principles were predominantly published in the year 1999, and have subsequently amplified with International Benchmark for stakeholders, investors, policy makes and investors worldwide after being adopted as "*Financial Stability Board's Key Standards for Sound Financial Systems*" on the basis of "*Observance of Standards and Codes (ROSC)*" in the field of Corporate Governance. The OECD Principles pertaining to Corporate

⁹Global Forum on Environment and Economic Growth - OECD, <http://www.oecd.org/economy/greeneco/global-forum-on-environment-2016.htm> (last visited Oct 30, 2020).

¹⁰Maria E. Maher & Thomas Andersson, *Corporate Governance: Effects on Firm Performance and Economic Growth*, SSRN ELECTRON. J. (2000), <http://www.ssrn.com/abstract=218490> (last visited Oct 30, 2020).

Governance

are:¹¹

I. Ensuring efficient modus operandi of corporate governance

- The mechanism of Corporate Governance must embolden fair and transparent market and effective resource allocation which should be coherent rule of law.
- The principles of Corporate Governance must be established by perceiving strategies that would escalate the economic performance along with the market integrity by abiding to the provisions of transparency.
- The responsibility should be lucidly articulate and divided among authorities with an objective to promote public interest.
- Enforcement, regulatory and the Supervisory authorities must have a professional conduct (transparency) while performing their assigned tasks.
- Organizations must undertake multilateral and bilateral arrangements to exchange information which would ensue Cross-border corporation.

II. The Equitable & Ownership rights of Shareholders

¹¹Global Forum on Environment and Economic Growth - OECD, *supra* note 9.

- The framework of Corporate Governance must ensure protection of rights of Shareholders by contemplating equitable treatment for all shareholders by authorising them to approach redressal committees on violation of rights.
- Elementary shareholders rights include:
 - a. Security of ownership rights.
 - b. Receive relevant information timely.
 - c. Transfer of shares.
 - d. Voting rights is general meeting.
 - e. Election and Removal of Board members.
 - f. Share in profit of organization.
- The pre-requisites of the shareholder's meeting must be- furnishing relevant material information such as agenda of the meeting, rules and procedure of voting.
- Shareholders must have a right to question the board pertaining to annual external audit, include items in the agenda, propose resolutions etc.
- Related party transactions must be approved determining management of *conflict of interest* among the shareholders. Key executives along with the members of the board must disclose their direct or indirect material interest contained in any matter or transaction that would affect the Organization.

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III. Responsibility of Institutional Investors & other Intermediaries

- The framework if Corporate Governance should contemplate incentive thru investment chain and stipulate them to the stock market that would account to efficient corporate governance.
- Institutional investors should act in fiduciary capacity and disclose their voting policies and corporate governance pursuant to their investments and the procedures adopted to undertake voting rights.
- Applicable rules must encompass prohibition of insider trading and manipulation of financial market.
- Companies that have been listed in the jurisdiction other that the jurisdiction of incorporation of organization, the relevant law in force must be clearly disclosed vis documentation.

IV. Rights of Stakeholders for efficient Corporate Governance.

- The corporate governance mechanism must acknowledge the rights of stakeholders that have been established through mutual agreement or by law to ensure active integrity between stakeholders and corporations to create jobs, sustain financial enterprises etc.
- The framework of Corporate Governance must be backed by efficient insolvency mechanism containing enforcement of rights of the creditors.

V. Transparency & Disclosure

- The mechanism of corporate governance should explicitly mention that accurate disclosure of material fact pursuant to the organisation encompassing financial position, ownership, performance must be made.
- Disclosure must not be limited, rather include:
 - a. Objectives and non-financial data of the corporation.
 - b. Voting rights of the Shareholders.
 - c. Remuneration granted to the key personnel and members of the board.
 - d. Detailed information of the board members (selection process, qualification).
 - e. Related party transaction.
 - f. Predictable risk factors.

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VI. Responsibility of Board of Directors

- The mechanism of corporate governance must safeguard strategic guidance, monitoring and accounting techniques of the board and the boards accountability towards the shareholders and company.
- Board members should perform in good faith within the purview of due diligence and in the best interest of shareholders and company.
- The board must fulfil certain criterion:
 - a. Policies on risk management
 - b. Plan to review and execute the corporate strategies
 - c. Reviewing capital expenditure and acquisitions.
 - d. Implementing and monitoring principles of corporate governance

EVOLUTION OF CORPORATE GOVERNANCE: AN INDIAN SCENARIO

Efficient corporate governance has consistently been an issue since organizations began utilizing the stock market to procure funds. The history of East India Company recommends how public listed corporation was involved in exchange and accounting misbehaviours prompted the broad public agitation and demand for change. Greed, insider trading, corruption, and horrifying corporate governance rehearses were all there. In India, each section connected to large conglomerate had collectively acknowledged the suggestion that there is a requirement for duly practice and adoption of principles of corporate governance.¹²India has an enormous history pertaining to the commercial malpractices. The most significant advancement of corporate governance and the protection of investors in India is examined to be the foundation of the *Securities and Exchange Board of India (SEBI) in 1992*, its progressive strengthening since at that point. It plays a pivotal role in monitoring and regulating the stock market and establishing the minimum standard procedures of corporate conduct in the nation. Issues pertaining to corporate governance in India were, notwithstanding, to a great extent set off by a crisis occurred in mid-90's wherein Harshad Mehta stock market scam of 1992 occurred by allotting preferential shares at a discounted rate to the promoters. Indian Legal and regulatory frameworks along with numerous committees were established to examine the functioning of corporate governance:

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1. “Committee on Corporate Governance under the Chairmanship of Shri Kumar Mangalam Birla (1999)”:

This committee was established with a motive to promote and set a benchmark to efficient practice of corporate governance. This committee suggested the Board of a corporation to:

- Establish an independent audit committee to augment the credibility of transparency and financial disclosure.

¹²Shardul Amarch et al., *Corporate Governance in India* / Lexology, <https://www.lexology.com/library/detail.aspx?g=673fd913-c212-42bc-9d9c-a0eb14002359> (last visited Oct 30, 2020).

- Shareholders must exhibit interest in the procedure of appointment of auditors and directors etc. the government therefore, amended The Companies Act in the year 2000.¹³

Instantaneously post enforcement of the Companies (Amendment) Act,2000 SEBI made necessary amendments in the Listing Agreement via inserting Clause 49. Clause 49 encompassed the aspects of:

- Appointment of independent, non-executive and executive.
- Appointment of qualified audit committee.
- Nomination and Remuneration of Directors.
- Board meeting and the procedure to conduct meeting.
- Information on standards of Corporate Governance

2. ***“Committee on Corporate Governance under the Chairmanship of Naresh Chandra Committee (2002)”***:

In July 2002, The Enron scam encompassed malpractices between the corporate and auditor and different scams that took place in the United States, lead to enactment of the *Sarbanes – Oxley Act in the United States*. The Department of Company Affairs in the Ministry of Finance on 21 August 2002, appointed the Naresh Chandra Committee, to examine different issues pursuant to corporate governance and suggest relevant solutions. Naresh Chandra Committee proposals identify with the Auditor-Company relationship and the part of Auditors. ¹⁴Report of the SEBI Committee on Corporate Governance suggested that the mandatory proposals on issues of the definitional issues of Independent Director, the revelation of contingent liabilities, independence of Audit Committee in the report of the Naresh Chandra Committee.

¹³Key Recommendations of Kumar Mangalam Birla committee Report - GKToday, , <https://www.gktoday.in/gk/key-recommendations-of-kumar-mangalam-birla-committee-report/> (last visited Oct 30, 2020).

¹⁴Naresh Chandra Committee Report, 2002 - Business Ethics and Corporate Governance, Second Edition [Book], , <https://www.oreilly.com/library/view/business-ethics-and/9789332511255/xhtml/c15s21.xhtml> (last visited Oct 30, 2020).

3. ***“Committee on Corporate Governance under the Chairmanship of Shri N. R. Narayana Murthy (2002)”***:

This committee recommended *Clause 49 of the SEBI Act* to include Related party transactions, reimbursement to Non- Executive Directors, role of Audit Committee, Whistle Blower Policy, Analyst Reports and additional non-mandatory recommendations, Risk management policies.¹⁵

4. ***“Committee on Corporate Governance under the Chairmanship of Dr. J.J. Irani on 2 December (2004)”***:

This committee suggested the Indian Government to enact the Company Bill 2008 that stipulated that the Indian corporate must function around regulatory environment. However, the bill lapsed in the Parliament but was further re-introduced as Companies Bill, 2009.

India encountered a corporate Governance scam by Satyam Computer Services wherein CII commenced examining the issues pursuant to Corporate Governance. *The National Association of Software and Services Companies (NASSCOM)* formulated Corporate Governance & Ethics committee chaired under N.R. Narayana Murthy.¹⁶

CORPORATE GOVERNANCE: THE TATA STYLE

The Company’s Corporate Governance is instituted upon ethical behaviour, fair and transparent governance practice. To attain excellence Tata Company has adopted Tata Business Excellence Model and also adheres to Balanced Scorecard methodology to track the progress of long-term strategies decided previously. The company abides by the requirements set by ‘*Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015*’ (“*SEBI Listing Regulations*”). The Depository Programme undertaken by the corporation is listed on *New York Stock Exchange* and the Company due to compliance of US regulations applicable to Foreign Private Issuers. The standard of progressive governance is met due to efficient Risk management and rigid control of internal

¹⁵Key Recommendations of Narayan Murthy Committee on Corporate Governance - GKToday, , <https://www.gktoday.in/gk/key-recommendations-of-narayan-murthy-committee-on-corporate-governance/> (last visited Oct 30, 2020).

¹⁶23-Irani committee report of the expert committee on Company law, 2005.pdf, , <http://reports.mca.gov.in/Reports/23-Irani%20committee%20report%20of%20the%20expert%20committee%20on%20Company%20law,2005.pdf> (last visited Oct 30, 2020).

procedure. The mechanism of efficient Corporate Governance followed by The Tata Company is discussed below:

1. Board of Directors:

The eminent body of Board of Director is constituted by the Shareholders by law to oversee the functioning of the Company. Pursuant to the *Regulation 16(1) (b) of the 'SEBI Listing Regulations and Section 149(6) of the Companies Act, 2013'* the appointed directors have given a confirmation that they fulfil the criterion of 'independence'. Directors of the company do not hold office of t¹⁷he Director supplementary to 20 companies that do not include more than 10 public listed company. Relevant and material information is enumerated to the Director in the Board meetings as per the provisions mentioned under '*Regulation 17(7) read with Part A of Schedule II of the SEBI Listing Regulations.*'

2. Audit Committee:

This committee explicitly known for its responsibility, composition and duties performed by the authorities adhering to '*Section 177 of the Act and Regulation 18 (3)*' read along '*Part C of Schedule II of the SEBI Listing Regulations*'. The duties of this committee are:

- a. Examine the annual or quarterly financial statements prior to proposing it to the Board.
- b. Examine the entire modus operandi of financial reporting along with the disclosure of company's financial information that encompass press release, earnings in order to escalate credibility of the corporation.
- c. Estimate accounting method initiated on the basis of judgment by the Management
- d. Estimation of accounting standards and if the accounting policies are amended the reasons for the same must be mentioned.
- e. Disclosure of related party transactions.

3. Nomination and Remuneration Committee:

¹⁷Report on Corporate Governance | Tata Motors Annual Report 2013-14, <https://investors.tatamotors.com/financials/69-ar-html/report-cg.html> (last visited Oct 30, 2020).

This committee meets the requirements of *Section 178* of the Act. the retirement policy mentions 65 years as the retiring age executive directors and Managing directors. Non-Executive director who has retained the company beyond attaining the age of 65 years can work till maximum 70 years.

4. Stakeholder's Relationship Committee:

This committee functions whilst adherence to *Section 178* of the Act along with *Regulation 20 SEBI Listing Regulations*. The committee includes 2 Independent Directors, Managing Director and CEO empowered to:

- a. Review and examine statutory requirements pertaining to security holder.
- b. Examine the payments of dividend and conveyance of unclaimed amount, shares from and to the Protection Fund.
- c. Authorise issue of duplicate certificate of the organization and suggest measures to be undertaken to improve quality of services rendered to the investors.

5. Risk Management Committee:

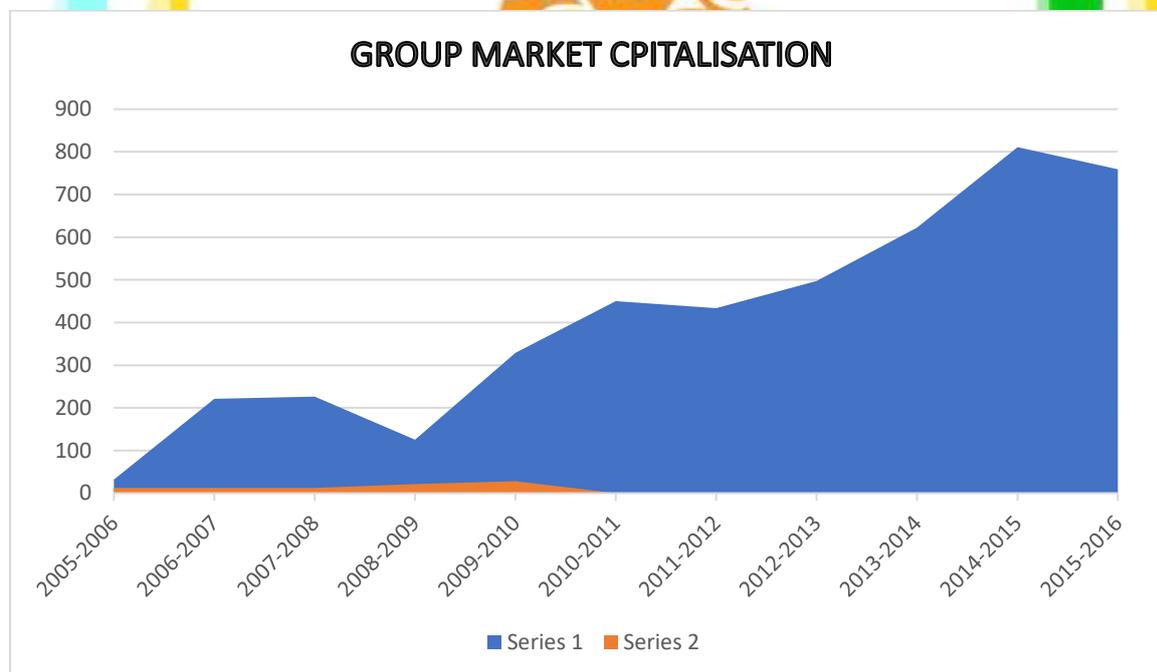
The committee encompasses of 1 Managing Director, 1 Executive Director, 1 Independent Director and CFO. The principles of this committee include aiding the Board in examining the foreseeable risk of the Company, sources to procure funds etc. The Committee will be obliged to self-evaluate the annual performance of the functioning of the company and then submit the report to the board.

DECODING THE CASE OF CYRUS MISTRY

Cyrus Pallonji Mistry an Indo-Parsi born in a business family who savoured corporate association with the large conglomerate for a couple of generations. Mistry graduated from Imperial College London in 1990 as a civil engineer; subsequently in the 1997 he obtained a Master's degree from London Business School. He is the member of *Massachusetts Institute of Technology (MIT), USA*. Cyrus Mistry commenced his business on the foundation established by his father. In 1994 he was positioned as the managing director of Shapoorji Pallonji Board. This was under the chairmanship of Shapoorji Pallonji Group and was subsequently placed as a chairman in the Board of Tata Group. In the course of Mistry's reign, Shapoorji Pallonji Group expanded its construction business in 11 foreign countries. He successfully diversified the business of the company ranging from construction to

building projects in the marine, designing, oil & gas, railway sector etc. which steered in a novel ear of business.

Till 2006 Mistry served as director of Tata Power till 2006 and Tata Elxsi Ltd until 2009. On 1st September, 2006 his father retired from Tata Group after which Mistry joined the Tata Sons. Subsequently, he was positioned as the director of various Tata Companies along with additional duties of Pallonji Group. Ratan Tata decided to retire in 2010 wherein Mistry was found to be the successor as a Chairman. Ratan Tata announced that Mistry will takeover a chairman of the company. Gradually Mistry was appointed as a chairman in most of the Tata Companies. It began on 8th November, 2012 amidst being appointed as a chairman of The Tata Power, Tata Global Beverages on 20th November, 2012. Subsequently, he took charge over tata Industries, Tata Steel, Tata Consultancy Services, Tata Teleservices, Tata sons, Tata Chemicals and Tata Motors. Conclusively, post a long skimp of Tata Group, was positioned as the chairman of The Tata Group (India's oldest business venture) just at the age of 44. Under Mistry's tenure, the revenue of Tata Group surged from US\$ 100.09 billion in FY 2011-12 to US\$ 103 billion in FY 2015-16.



Tata's fired Mistry from the chairmanship on 24 October 2016 following a stretch of 45 months, with no clarification at that point. It was a major amazement and a stunning wave to Mistry himself and the corporate world.

The elucidation for firing Mistry was chosen in a meeting held at the renowned Bombay House. This abrupt ouster news observed a downfall the following day in Stock markets. However, gradually Mistry was fired from chairmanship from all Tata Group of Companies along with his associates. This mystery was kept private until 25th October, 2016 wherein Tata explicated that Mistry's approach of functioning, conflict of interest, mounting trust deficit, poor governance, continuous departure from ethos and culture of the group were the grounds of his removal to which Mistry replied, "*Shocked and beyond words. The sudden action and lack of explanation has led to all manner of speculation and has done my and the group's reputation immeasurable harm. The letter is to emphasise the total lack of corporate governance and a failure of the directors to discharge their fiduciary duty to stakeholders of Tata Sons and the group companies.*" Mistry followed solo decision-making approach by ignoring the recommendations of the Tata Board. The decision to shut down UK steel venture and sale of India Hotels in overseas was a set back for Tata legacy. Moreover, the income derived from dividend other than TCS declined with an increase in staff cost which resulted Tata Sons to be dependent on TCS. Mistry deviated his concern from these issues and took 3 long years to understand the functioning, which was not appreciated by the Board which made it lucid that there was a fundamental disconnect in the working style of Ratan Tata and Mistry. The prime allegation against him was that he falsely proposed deceitful statements pursuant to his future plans for the Tata empire by misleading the Selection Committee in 2011. Mistry introduced a new set of personnel to accomplish his vision which ultimately led to conflicts between the new guards and the old guards on a plethora of issues. The principal break-up time occurred when Mistry made a decision for procurement of *Welspun Renewables Energy* for almost 95 Billion, that was opposed by Boards of Tata Sons and Tata Power.

The final shutdown between the two was on 20th December 2016 when Mistry entered the corridors of National Company Tribunal (NCLT) challenging the decision of Tata of his sudden expulsion. In 2018, NCLT dismissed Mistry's plea on the ground that there was merit in his plea. He further challenged NCLT's verdict to *National Company Law Appellate Tribunal (NCLAT)*. The matter is being heard yet.

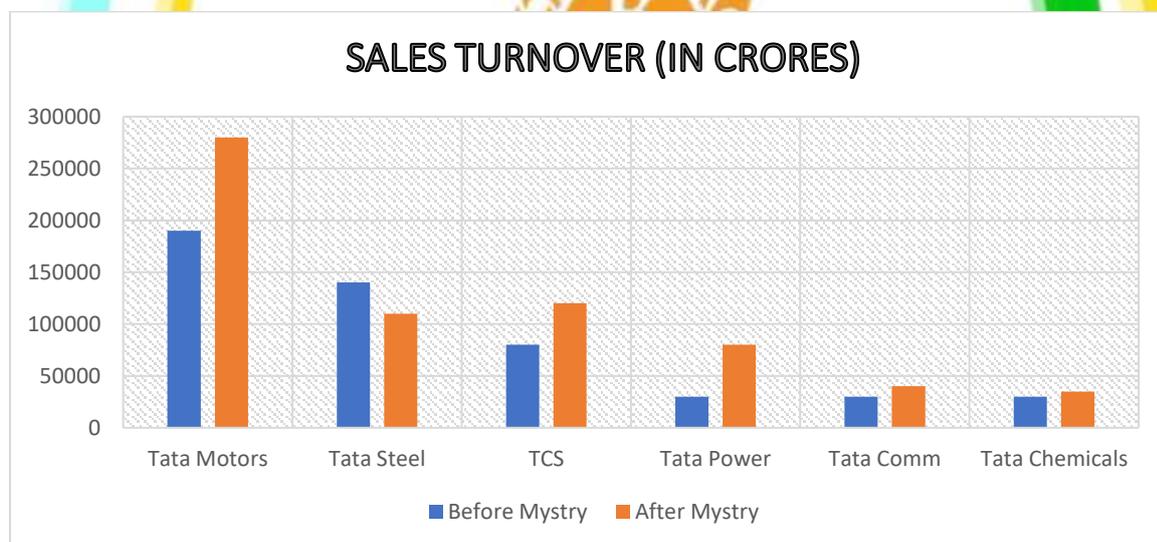
DISCUSSION & RECOMMENDATIONS

This aftermath illustrates Indian corporates that appoint personnel should proceed according to the approach of the founder of the association. They keep on having a solid impact even after they moved out of their post in their organizations. without their assent, no new

initiatives can be undertaken. Follow their strides with no significant changes in the business domain. The role and duties of obliged for a non-family CEO as a successor must be clearly defined.

The Tata's more likely should have indeed guided Mistry during downfalls. A decent and solid relationship more likely than has not been executed between the founder- Ratan Tata and Cyrus Mistry, consequently delivering great outcomes. Ratan Tata probably played a positive and dynamic role in the process of grooming Mistry, rather the image resembled the Tata was criticizing Mistry at each stage, permitting Mistry to fail to meet expectations. Unmistakably, Mistry was not baked by the insiders to run the entire Tata realm efficiently. The wrecked relationship resulted Mistry to proceeded with taking intense choices solely, like the obtaining of *Welspun Renewables Energy* organization.

In 45 months of Mistry's tenure the sales turnover notched up to 33%. Therefore, it is clear to be written on the wall that Mistry was not an underperformer. However, the debt increased from 124,119.28 (2012) to Rs. 206,986.54(2015). Sales turnover of TATA venture is graphically represented below:



If conflict of interest was observed between Tata and his predecessor corporation, explicit stringent warning should have been awarded to him. However, the situation worsened.

A likewise fundamental low light family connection was observed between Cyrus Mistry and Ratan Tata; sister of Mistry named Aloo is hitched to Tata's step brother Noel Tata. During Mistry's appointment at the topmost position why wasn't this family connection considered

this family connection? Wasn't it irreconcilable situation in 2011? An intense inquiry probably been raised then itself. What's more, a greater inquiry unanswered is the means by which Cyrus Mistry, a piece for determination board entrusted for discovering replacement to Ratan Tata in the year 2010, turned into their decision for that similar post in 2011.

CONCLUSION

As Indian organizations contend universally for admittance to corporate markets, many have found the capacity to standardise against top notch associations is fundamental. Be that as it may, as limitations have facilitated, Indian companies are developing on the world stage and finding that the old methods of working together are no more adequate in such a relentless worldwide climate.

It is to quantify how effective organizations are in revealing statutory and non-mandatory requirements of Clause 49 of SEBI Listing Agreement in their corporate administration report. The evaluating strategy is received to gauge the board effectiveness in corporate administration. It has been observed that Tata Company has established its company with adherence to rule of law which sets a competitive benchmark for other enterprises. however, in 2016 Tata Company too encountered inefficient corporate governance. the lesson to be derived in this study is which event lead to the fateful event of sacking Mistry from all Tata ventures. thus, this study would be useful to apprehend the necessary measure to be undertaken to attain good corporate governance for developing a holistic approach.

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