

CORPORATE GOVERNANCE CODES IN TATA GROUP OF INDUSTRIES

Dr.C.Yellaiah

Academic Consultant, Dept.of Commerce, Vikrama Simhapuri University, Nellore, Andhra Pradesh,
India.

dryellaiah77@gmail.com

ABSTRACT

Corporate governance is not a science with fixed norms. It is a relationship-based society. This research paper seeks to investigate corporate governance with a focus on the Tata Group. Customer pleasure, staff wellbeing, and shareholder profits all go hand in hand for the Tatas. They uphold greater levels of Corporate Social Responsibility. Tata Code of Conduct, Tata Business Excellence Model, Global Reporting Initiatives, and fundamental principles embraced by the organisation all speak eloquently about the Tata Group's commitment to business excellence and high standards. Corporate governance is ingrained throughout the Tata Group. The goal is to research corporate governance in relation to the Tata Group. Tatas has a more than 100-year tradition and is still one of the most renowned brands today. The organisation closely adheres to high standards of corporate governance. The study focuses on the Tata Group's different activities and business practises related to corporate governance. Secondary data is acquired through an examination of literature on both 'Corporate Governance' and the 'Tata Group.' To obtain primary data on the research issue, the research also includes a few unstructured interviews with some of the executives working with the Tata Group. Annual reports from several Tata Group companies were also examined.

INTRODUCTION

There is a need for regulators to issue regulations after taking market participants' feedback on how listed corporations should perform their obligations. The situation of TATA involves calling into question or reversing the choices of the former chairman, who is still the controller of the shareholding trusts, and a lack of defined board mechanisms to resolve the concerns in a reasonable and transparent manner. There does not appear to be an agreed-upon procedure at the board level for dealing with circumstances involving decision reversal or simply altering decision criteria between economic and social.

TATA was founded in 1868 by Jamsetji Tata; the Tata group is a worldwide corporation headquartered in India that includes over 100 autonomous operational firms. The organisation operates in over 100 countries on six continents, with the aim of 'improving the quality of life of the people we serve internationally via long-term stakeholder value generation based on Leadership with Trust.' Each Tata firm or organisation functions autonomously, guided and supervised by its own board of directors and shareholders.

Cite this article as: Dr.C.Yellaiah, "Corporate Governance Codes In Tata Group Of Industries", International Journal of Research in Management Studies (IJRMS),ISSN:2455-7595, Volume 3, Issue 9, 2018, Page 18-23.

Tata Enterprises has 29 publicly traded companies with a total market value of around \$130.13 billion (as on March 31, 2017). Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications, and Indian Hotels are among the large Tata corporations. Many Tata enterprises have attained worldwide leadership in their respective industries. Tata Communications, for example, is the world's leading international wholesale voice provider, and Tata Motors is one of the top 10 commercial vehicle manufacturers.

Tata Steel is one of the top fifteen steelmakers in the world, and TCS is the world's second largest IT services firm in terms of market capitalization and earnings. Tata Global Beverages is the world's second-largest tea firm, while Tata Chemicals is the world's second-largest producer of soda ash. Tata firms have made considerable local investments in several areas, employing a varied workforce.

The Ratan Tata-Cyrus Mistry boardroom struggle began on October 24, 2016. When Tata unexpectedly fired Mistry as chairman of Tata Sons, it came as a huge surprise to the whole corporation and others. In December 2012, Cyrus Mistry was appointed chairman of the Tata group holding company. Since their departure, the Tatas and Mistris of the Shapoorji Pallonji group have been cut and thrust in public. While the Tatas claim Mistry was fired because the company's board of directors lost faith in him, Mistry claims the Tatas were terrified of his clean-up campaign, which ended in his departure.

Mistry has also highlighted a number of corporate governance problems inside the Tata Group after his dismissal. The Tatas also convened extraordinary general meetings of the shareholders of the group's publicly traded firms to remove Mistry from their boards. Mistry, on the other hand, resigned from the boards after TCS and Tata Steel shareholders voted him out. However, a day after resigning from the boards of six publicly traded Tata companies, he pursued the legal path by bringing a claim against Tata Sons in the National Company Law Tribunal.

TATA CORPORATE GOVERNANCE CODES AND PRACTICES:

For a management student, the Tata Group has always piqued their attention. Tata Group is made up of 96 operational firms from seven different business sectors: information systems and communications, engineering, materials, services, energy, consumer products, and chemicals. With revenues of \$21.9 billion (Rs 967,229 million) in 2005-06, the Tata Group is one of India's largest and most recognised corporate giants, accounting for around 2.8 percent of the country's GDP, and a market valuation of \$49.2 billion. Tata Group employs 202,712 employees in total. The Group's 28 publicly traded firms, which include notable brands such as Tata Steel, Tata Consultancy Services, Tata Motors, and Tata Tea, have the greatest aggregate market value among Indian corporate houses in the private sector, with over 2 million shareholders. The Tata Group operates in over 54 countries on six continents. Corporate governance in the Tata Groups has been defined by a deeply embedded set of principles and beliefs, and has been built on the twin pillars of trust and integrity during their

100-plus year history. From the outset, the Tata family had a progressive and patriotic vision. Jamsetji Tata, the founder of the House of Tata, wrote to his son Dorabji Tata in 1902, five years before the site of the Steel Plant was chosen.

CORE VALUES OF TATA GROUP:

The Tata Group has always been a value-driven enterprise. Let us take a quick look at the five key ideals that drive the Tata manner of doing business:

Integrity: Tata believes that business must be conducted with honesty and integrity. Everything they do must withstand public scrutiny.

Understanding: Tata believes in giving care, respect, compassion, and humanity to its employees and customers all around the world, and in working for the betterment of the areas in which they operate.

Excellence: Tata makes a concerted effort to reach the highest possible standards in their day-to-day operations as well as the quality of their goods and services.

Unity: Tata believes that they must collaborate with consumers and partners all across the world in order to develop strong relationships based on tolerance, understanding, and mutual collaboration.

Responsibility: Tata is responsible and attentive to the countries, communities, and environments in which they operate, always ensuring that what comes from the people returns to the people many times over.

TATA CODE OF CONDUCT (TCOC):

Tata firms have all legally embraced the Tata code of conduct (TCOC). The code of conduct

for workers is laid down in 25 provisions in the TCOC. Any verified TCOC violation is taken seriously. One of Tata Steel's workers was fired for violating the company's code of conduct. The story was extensively reported, but the employee's identity was not divulged.

The fact that TCOC is widely and actively applied at Tata is adequately corroborated by the statement of one of the executives at Tata Steel, "I earned an honorarium of Rs. 2000 for delivering a lecture in one of the famous management institutes." I inquired proactively with the ethics counsellor about accepting such remuneration. I didn't want to inadvertently breach the code of behaviour. "I have a great belief in the company's ethics."

Each Tata group employee receives a copy of the TCOC booklet. Every Tata firm has an ethical counsellor. A Tata company's 'chief executive officer' is also its 'chief ethics officer.' By voicing concerns, TCOC violations can be brought to the attention of Ethics Counselors. Concerns are addressed, and remedial measures are implemented and shared.

TATA CODE OF CONDUCT:

- National Interest
- Financial reporting and records
- Competition (support for open market economy)
- Equal opportunities employer
- Gifts and donations (employees shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of business)
- Government agencies (Not to offer or give any company funds or property as donation to any government agencies or their representatives...)

- Political non-alignment • Health, safety and environment • Quality of products and services • Corporate citizenship (compliance of all relevant laws... and actively assisting in the improvement of the quality of life) • Cooperation of Tata companies • Public representation of the company and the group • Third party representation • Use of the Tata brand • Group Policies • Shareholders • Ethical conduct • Regulatory compliance • Concurrent employment • Conflict of interest • Securities transactions and confidential information • Protecting company assets • Citizenship • Integrity of data furnished • Reporting concerns.

RECENT PROBLEMS IN TATA CORPORATE GOVERNANCE:

Ratan Tata, who orchestrated Mistry's exit as chairman of the Tata Trusts—which control Tata Sons with a 66.5% stake—may have overestimated the latter's willingness to go quietly. Tata Sons' and his interests are best served by getting Mistry to resign as chairman (or having him fired) of the various Tata operating firms, removing him from the boards of these, and, perhaps, buying out his and his family's 18.4% stake in.

The transformation Mistry's interests are more difficult to comprehend. He's outraged, as anyone would be following a public termination, but he can't expect an apology or reinstatement. The following were the numerous battle-related issues:

Electoral finance, a hot button issue for any significant business group, was one of the first concerns that saw Ratan Tata voice his displeasure with Mistry and his colleagues. A close Mistry aide recommended funding of Rs

10 crore for Odisha assembly elections in mid-2014. The reasoning was that Tatas possessed significant iron ore resources in the state. However, Ratan Tata's nominees on the Tata Sons board objected against the plan, noting the Tatas' established history of solely donating to parliamentary elections through a trust. The proposition was defeated. According to a board member, Ratan Tata was upset that such a plan was ever considered. And Mistry was advised that such preparations were not in accordance with group reputation.

Bids for Contract/Contract Bids: Ratan Tata was alleged to be "dismayed" when the Tata group filed two bids for a coveted army deal earlier this year - the Rs 60,000 crore contract for 2,600 Future Infantry Combat Vehicles. Tata Power Strategic Equipment Division (SED) made a combined offer with Titagarh Wagons, while Tata Motors made a joint bid with Bharat Forge. Tata has offered through intermediaries that Tata Motors, which possesses the necessary competence, merge with SED. He also said Mistry should rely on the two companies to settle any disagreements. Mistry's assistants, on the other hand, consider that such ideas constitute "intervention." Cyrus respects the independence of each group company's board of directors and shareholders and would never do anything to favour one over the other."

Counting down the minutes: The disagreements over the Tata-Welspun acquisition revolved around a little-known battle over tiny wording. Cyrus Mistry's unwillingness to put the Tata Power-Welspun merger before the Tata Sons board amounted to a breach of the articles of association, according to Ratan Tata, because

the deal was significant enough to need the holding company's approval. Tata Power's board meeting on the purchase saw officials from Tata Sons argue that "the reality of a breach of the articles of association" should be recorded. Mistry allegedly stated that the term "breach" had legal overtones and hence cannot be used. Tata Sons representatives consulted Ratan Tata, and "breach" was replaced with "not in accordance with."

Fast Food Partnership: A proposal for a fast food partnership heated up the Tata-Mistry conflict. The board of Tata Sons was presented with a proposal for a collaboration with the US pizza company Little Caesars. According to Rattan Tatas, there were other Tata businesses that could deal with this type of material. He believed that this was bringing the group's image down. However, Mistry believes that Tatas' partnership with a coffee business (Starbucks) was a good move. "During our strategy session with the Tata Sons Board in June 2016, it was recommended that we study QSR (quick service restaurants) as a prospective development possibility," he said. This was done in light of our success with Starbucks... We took the Board's authorization merely to investigate the possibility of partnering with a significant player in the United States.

NANO: Other reasons associated to address employees were the Tata Nano project and the TataDocomo conflict. According to the board member, Tata had to step in when several of Japan Inc's greatest names complained to him that the matter was not going well in Japan. All of the foregoing difficulties added up to a "worrying picture," and Ratan Tata was also

uneasy with Mistry's approach to vastly disparate areas.

CONCLUSION

Corporate governance is increasingly a priority for all corporate enterprises. Tatas are a stalwart, and the excellent performance of the Tata Group in the field of corporate governance, with a strong code of ethics and performance excellence, deserves to be recognised. It is correctly said regarding Tatas. 'There is nothing amorphous about the fact that good governance has taken root in and extended to all parts of the Tata Group.' The Tatas have already established excellent standards for corporate governance that will be cherished, admired, and followed by future generations. Tata was following the letter and spirit of the principles that govern ethical corporate behaviour even before Corporate Governance became a term in industry circles. In 2000, the Union Ministry of Finance bestowed the National Award for Excellence in Corporate Governance on the organisation.

References:

1. Satheesh Kumar T.N., 'Indian Family-managed Companies: The Corporate Governance Conundrum', The ICAI Journal of Corporate Governance, Vol.V, No.2, April 2006.
2. Maheshwari, Sunil Kumar, & Ganesh, M.P., 'Ethics in Organizations: The Case of Tata Steel', Vikalpa – The Journal for Decision Makers, IIMA, Volume 31 No.2, April-June 2006
3. Cadbury, Adrian, 'Corporate Governance And Chairmanship-A



- personal view', Oxford University Press, 2002
11. Annual Reports 2005-06 of various Tata Companies.
4. Newquist, Scott, & Russel, Max, 'Corporate Governance – Putting Investors First', Jaico Publishing House, Mumbai, 2004
 5. Shankar, Amita, 'Corporate Governance : Role of Corporate Boards Against The Backdrop of Listing Standards', Welingkar Research Journal, September, 2006.
 6. 'Corporate Governance', Special Feature, MBA Review, April 2004
 7. Kumar, Poonam, 'Corporate Governance – Issues of Concern for Indian Companies', Arbiter, February 2003.
 8. Seth, Suhel, 'Jamshedpur is Where India is Shinning', Service for Communicators, Vol.25, No.9, September 2006.
 9. Mehta, K.L., 'Integrating Corporate Social Responsibility with Human Excellence Tata's Management Ethos', Welingkar Research Journal, Vol.II, Issue – 4, September 2004.
 10. Mukerjee, D. N., 'Ratan Tata's Global Quest', Businessworld, 9th October 2006. 'Corporate Governance Handbook', Ernst & Young & CIL.