‘Economist’ eulogises Ratan Tata

If India were a nation of gamblers, the betting on who will succeed Ratan Tata, Chairman of the Tata group, would be furious. On August 4th Tata Sons, the holding company for one of India’s biggest conglomerates, announced that it was seeking Mr. Tata’s replacement when he retires in 2012 at the age of 75. Since then speculation has been rife. Will the board pick a younger relative, as so many Indian companies do? Or will the group confine its search to the tiny, commercially successful Parsi community to which the Tatas belong? Will Mr. Tata’s successor even be an Indian? Unusually for India, the panel picking the new boss says it will consider foreigners.

The succession has seized the attention of India’s fast-growing middle class because they see Tata products wherever they look. The 142-year-old group makes everything from salt to cars. It has also become a symbol of India’s growing might. Last year 65% of its revenues of $70.8 billion came from abroad. On a recent visit to India, Britain’s Prime Minister, David Cameron, noted that Tata was now Britain’s biggest manufacturer. Its transformation into a world-beater is largely due to Mr. Tata’s two decades of bold leadership.

When he took over from his uncle, J.R.D. Tata, in 1991, the group was an unwieldy sprawl of 300 companies. He was fortunate that Manmohan Singh, now Prime Minister, was then finance minister, unshackling India’s economy. Mr. Tata sold a number of unprofitable businesses and kicked the rest into shape. Today Tata has 98 firms, including India’s biggest IT outsourcer and second-biggest car maker. These companies are impressive innovators: last year, Tata Motors launched the world’s cheapest car, the $2,500 Nano. The group has also been on a buying spree abroad, starting with Tetley Tea a decade ago. In 2007 it bought Corus, an Anglo-Dutch steelmaker, for $12 billion, constituting India’s biggest foreign splurge; a year later, it took Jaguar Land Rover (JLR) from Ford Motors for $1.3 billion.

Mr. Tata’s foreign shopping has drawn some skepticism, especially over the purchase of the then loss making JLR. He has often confounded his critics, however, and JLR’s sales have overtaken his own estimates. On August 10th Tata Motors reported a forecast-beating first quarter profit, which it said had been driven by demand for JLR’s luxury models. But the group’s heady expansion will present Mr. Tata’s successor with some difficulties. Tata has a clear vision: to exploit India’s low costs and the West’s spending power. Holding it all together across diverse industries and countries, however, will take a firm hand.

Whoever takes over from Mr. Tata is likely to focus on making the group’s constituent companies work better, rather than rushing to acquire more. He will also strive to maintain Tata’s much lauded “value system”, an important part of its brand in India. Two-thirds of Tata Sons is owned by charitable trusts which finance a wide range of philanthropic activities. The group has a reputation for treating its workers relatively well and refusing to pay bribes to open-palmed officials.

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