

ORGANISATION
FOR ECONOMIC
CO-OPERATION
AND DEVELOPMENT



The Internationalization of Indian Companies: The Case of Tata

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Multinational Companies from Emerging Economies

Composition, Conceptualization and
Direction in the Global Economy

Andrea Goldstein



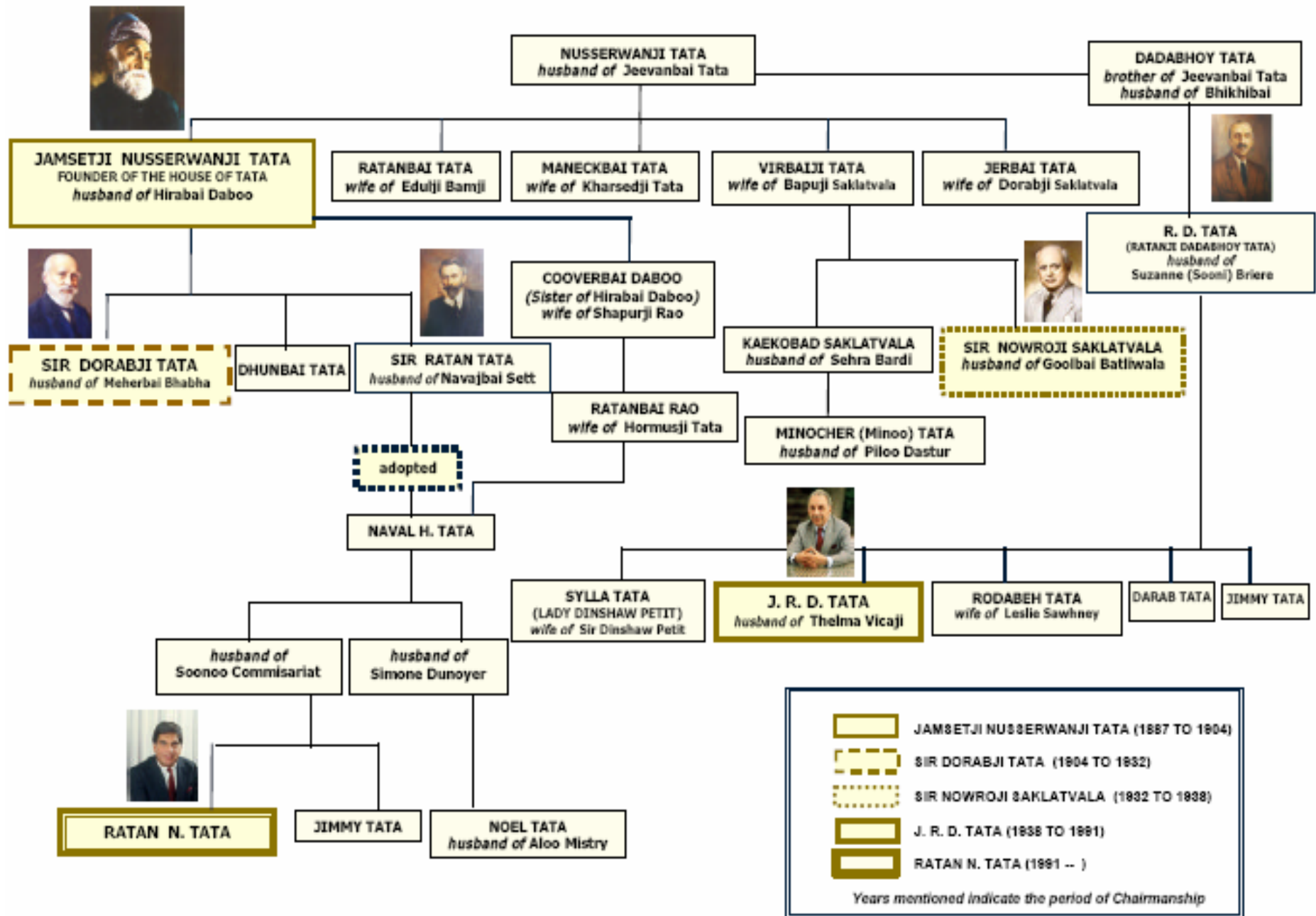
Why Tata?

- Turnover > US\$28 bn, equivalent to over 2.5% of India's GDP
- Traditionally the biggest market capitalization (now Reliance)
- India's largest employer in the private sector (222,000+, 85 companies)
- many firsts/largest for India:
 - first private sector steel mill (TISCO 1907)
 - first private sector power utility
 - first luxury hotel (Taj)
 - first airline (now Air-India)
 - India's largest software company (TCS)
 - India's largest watch & jewellery firm (Titan)
 - India's largest cross-border M&As (Tetley, Corus)
- Some unique characteristics
 - Family
 - Philanthropy
 - Outward orientation

Table A. Diversification pattern of the Tata Group

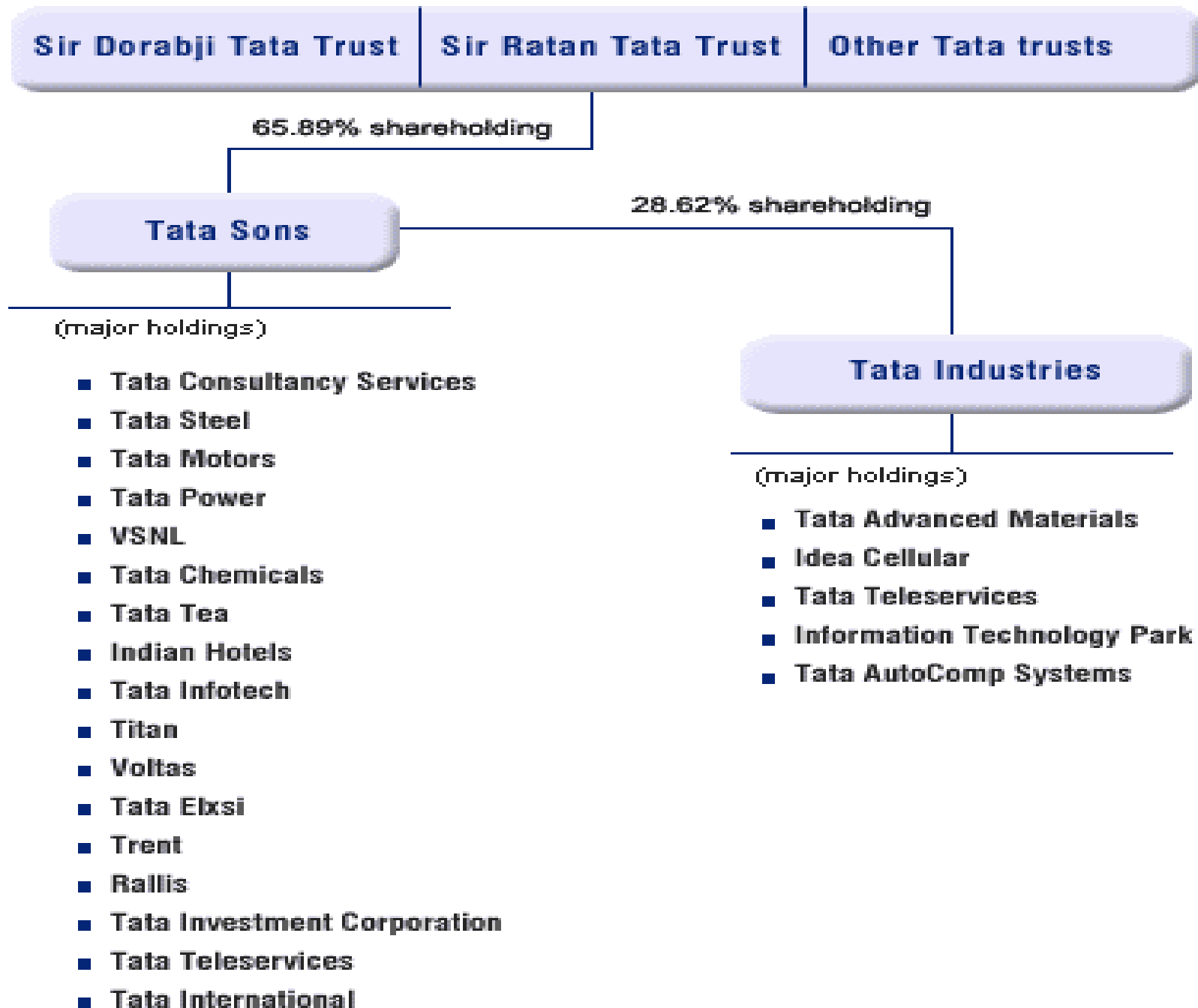
Industry	Indian operations	Foreign operations	Tata stake	
			1992	2007
Textiles	1874-2001			
Hospitality	1902	1982	41	28.28
Steel	1907	2005	8	30.52 ¹
Power	1910		17	
Cement ²	1912-1990s & 1993-		n.a.	
Soaps and toiletries	1917-1983 ³			
Insurance	1919-1956 ⁴ and 2001	1920		
Printing and publishing	1931-2003			
Aviation	1932-1953 ⁴			
Chemicals	1939	2005	30	31.60
Consumer electronics	1940			
Cosmetics	1952-1998			
Air-conditioning ⁵	1954		22	27.61 ⁶
Pharmaceuticals	1958-1998			
Tea and coffee	1962	2000	30	32.34 ⁷
ICT	1968	2005		81.65
Locomotives	1970			
Watches	1984			47.11
Financial services	1984			
Management consulting	1991	2005		
Auto components	1993		n.a.	
Telecom services	1994	2005	n.a.	50.11
Motor vehicles	1998	2004	n.a.	33.43
Retail (general)	1999		n.a.	
Car components	2005		n.a.	100
Retail (electronics)	2006		n.a.	100 ⁸
Fresh Produce	2007		n.a.	50 ⁹
Real estate	2007		n.a.	

¹ Including Tata Sons (24.08) and Tata Motors (4.45)



Source: Tata

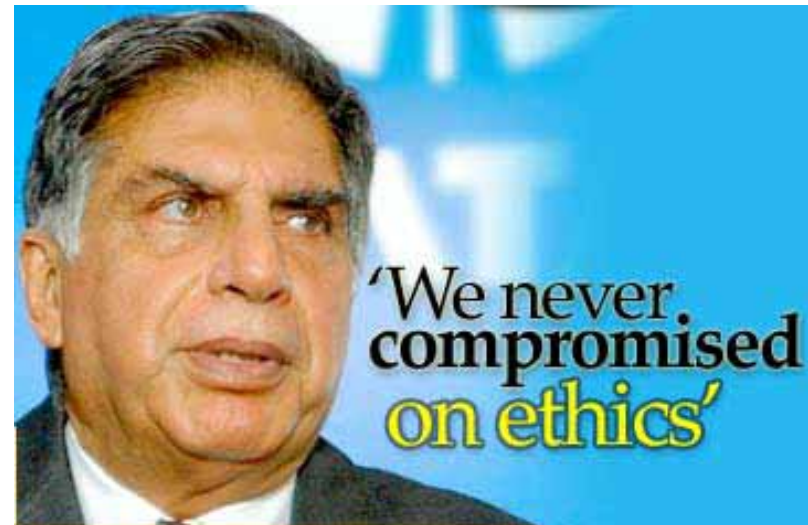
Group holding structure





"We think we started on sound and straightforward business principles, considering the interests of the shareholders our own and the health and welfare of the employees, the sure foundation of our success."

- Jamsetji N Tata, Founder





Public Health
Services



Infrastructure
Management



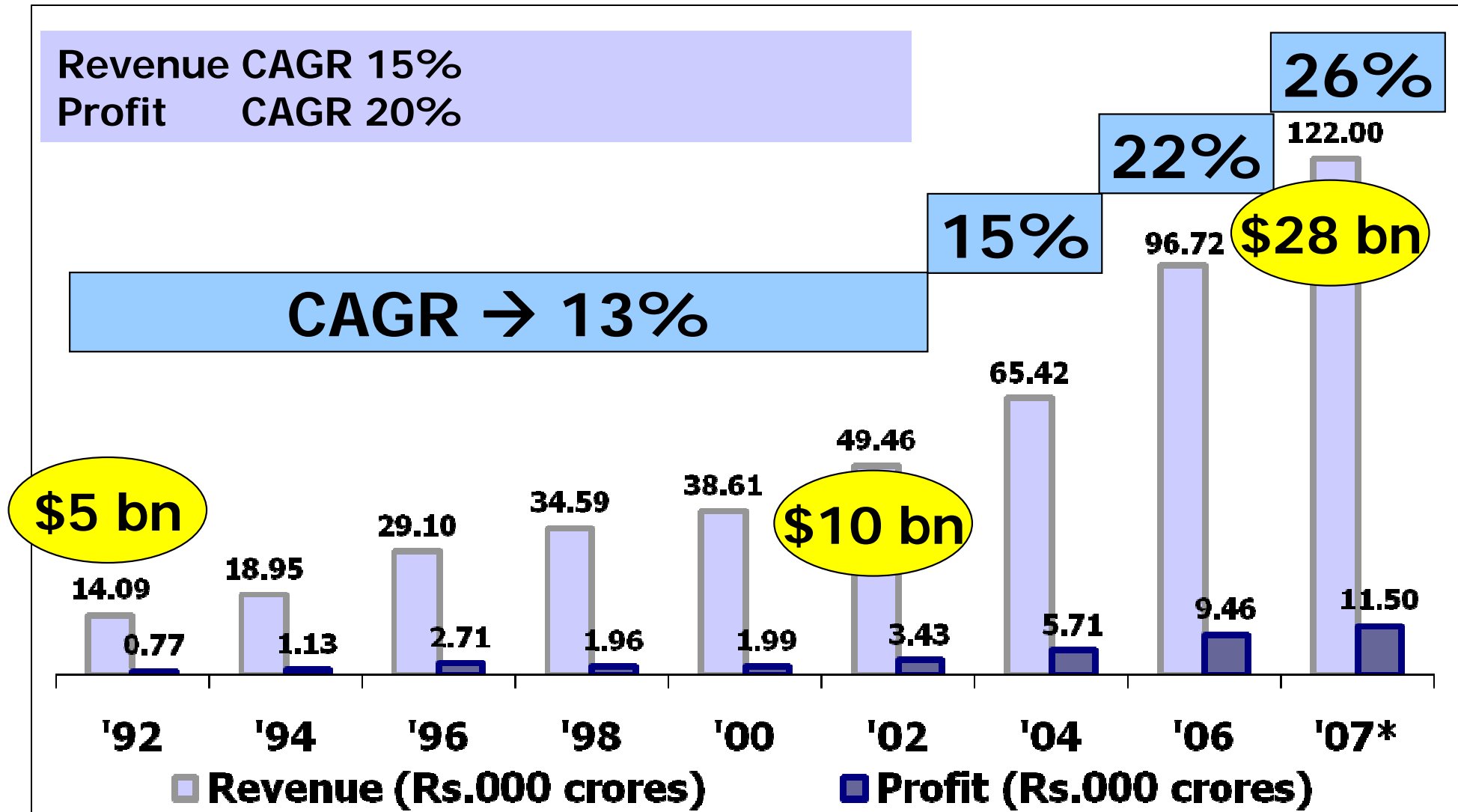
Power Distribution
Services



Water & Waste
Water Services

Jamshedpur Utilities and Services Company Limited (JUSCO), a wholly owned subsidiary of Tata Steel, is dedicated for comprehensive and sustainable development and management of Civic Infrastructure and Allied services. It is committed towards accomplishment of the national vision 2020 of making infrastructure available for growth and development.

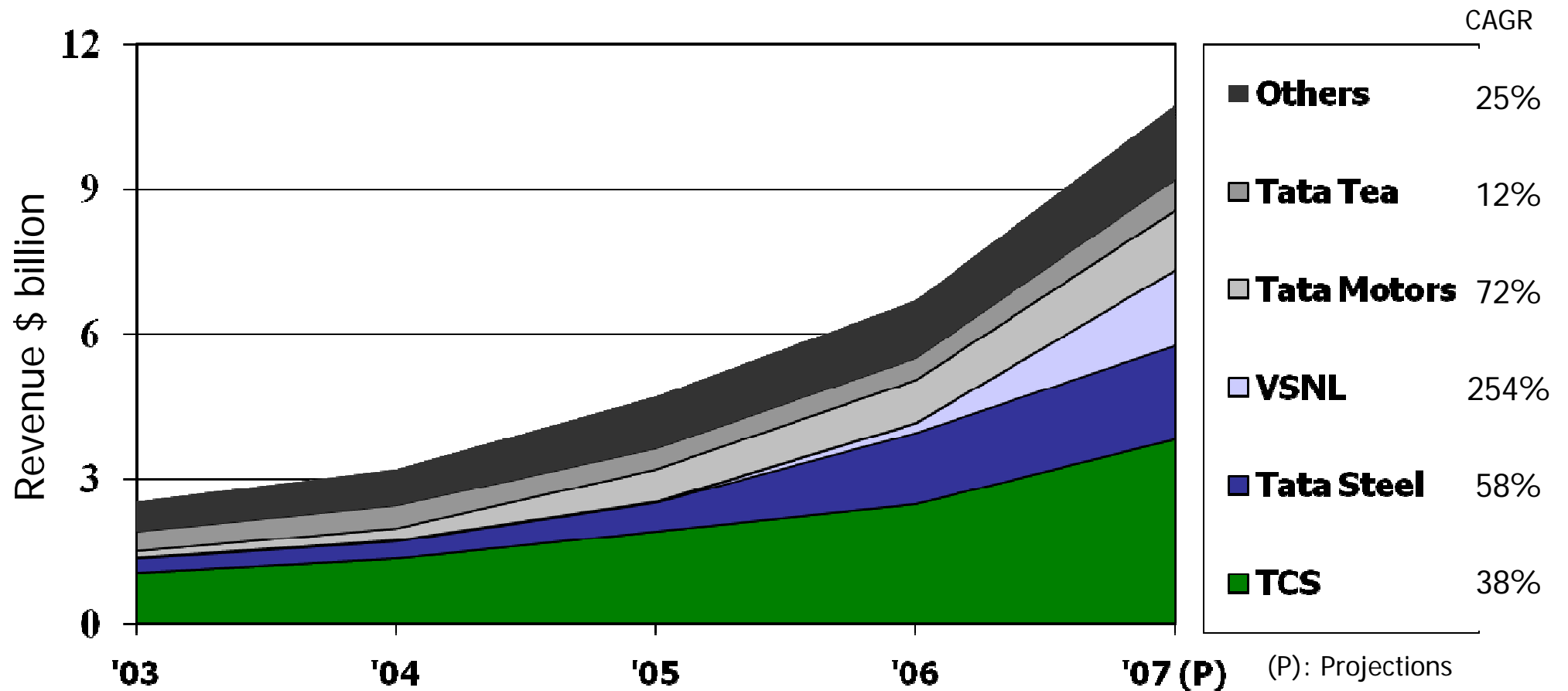
Growth (over the last 15 years)



* - Estimate

Source: Tata

Growth (Company)



Source: Tata

Table C. Evolution of Tata Group main business segments since 2000

Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Materials	23	19	21	22	21	23	22
Engineering	28	25	25	29	31	32	30
Energy	9	8	9	8	8	7	6
Consumer Goods	11	8	7	7	6	5	5
Chemicals	6	5	5	5	5	4	5
ICT	12	26	23	22	19	20	26
Services	11	9	10	9	10	9	7
Total	100	100	100	100	100	100	100
<i>3 largest</i>	<i>53</i>	<i>60</i>	<i>69</i>	<i>73</i>	<i>71</i>	<i>75</i>	<i>78</i>
<i>5 largest</i>	<i>75</i>	<i>77</i>	<i>88</i>	<i>90</i>	<i>89</i>	<i>91</i>	<i>91</i>

Tata Steel

- Established in 1907, Asia's first and India's largest integrated private sector steel company.
- steel making and finishing facilities at Jamshedpur in eastern India are one of the world's most modern
- captive iron ore and coal mines
- tops *World Steel Dynamics* ranking chart
- capacity to raise to 15 million tonnes per annum by 2010 through organic growth and acquisitions
 - NatSteel
 - Corus

Internationalisation Strategy

- Driven by operating companies
- Geographically selective
- Greenfield, JVs, acquisitions
- Partner development of select countries

**Most Tata
companies have
internationalised**

TATA CONSULTANCY SERVICES

TATA MOTORS

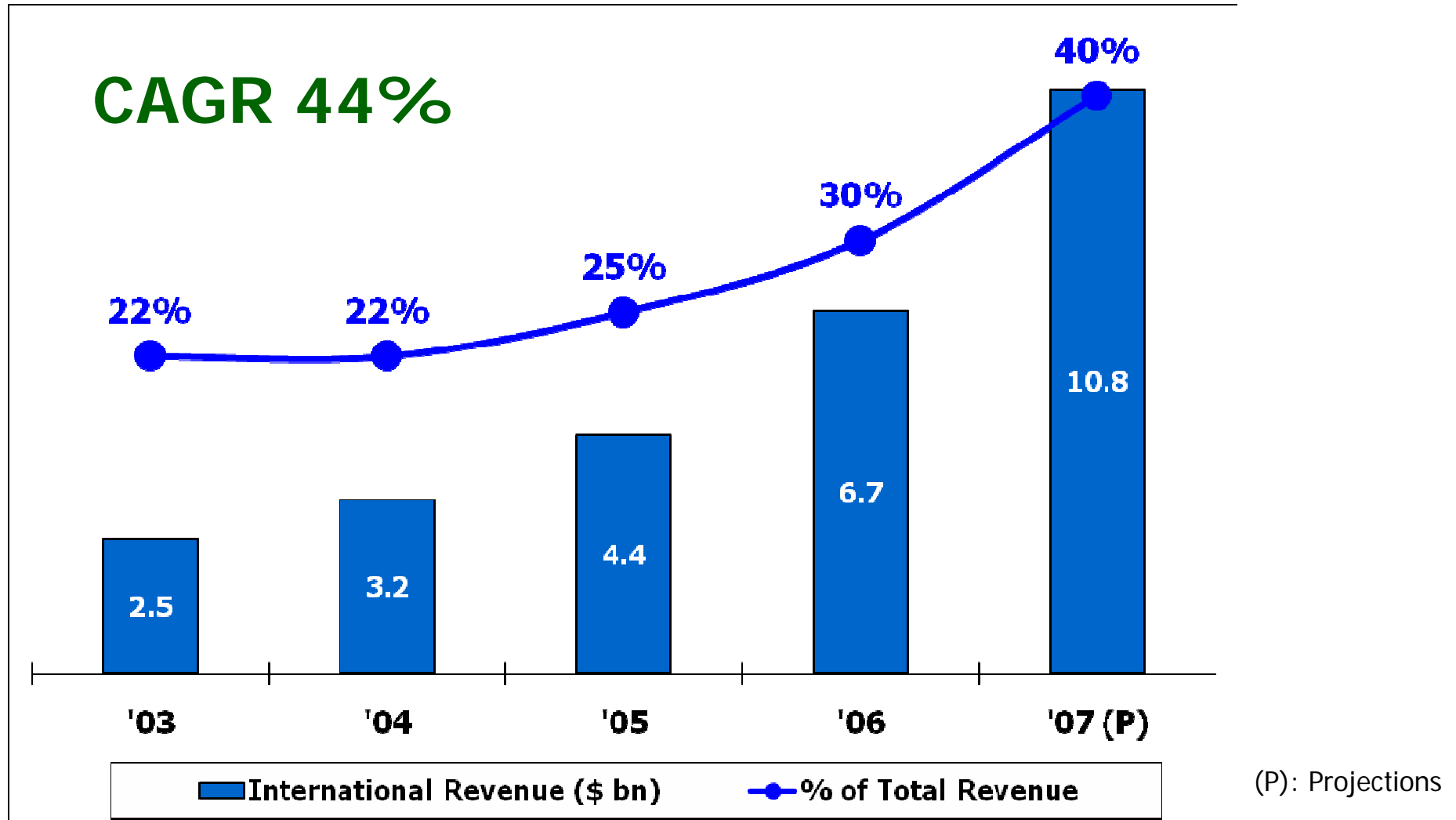
TATA TEA

TATA CHEMICALS LIMITED

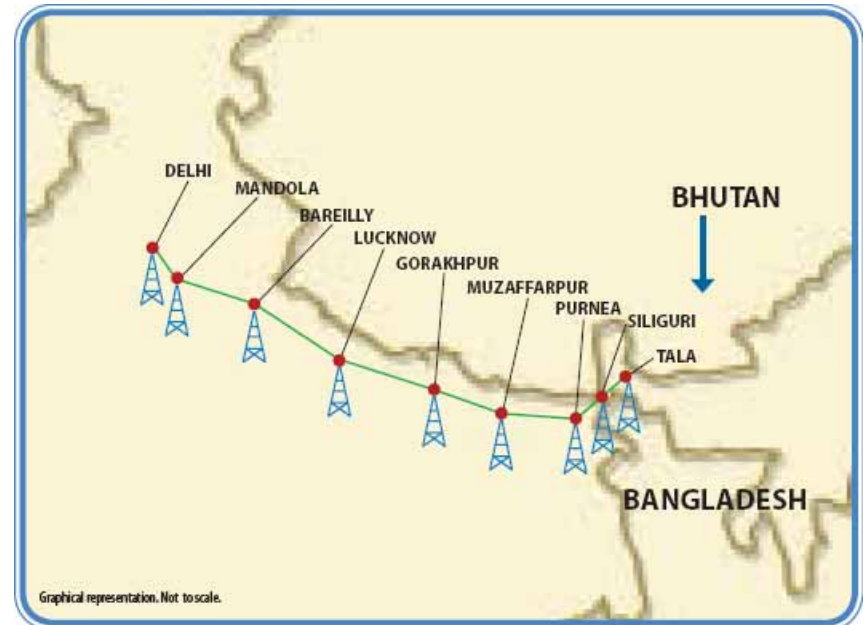
TATA STEEL

VSNL

Revenue from Overseas Geographies



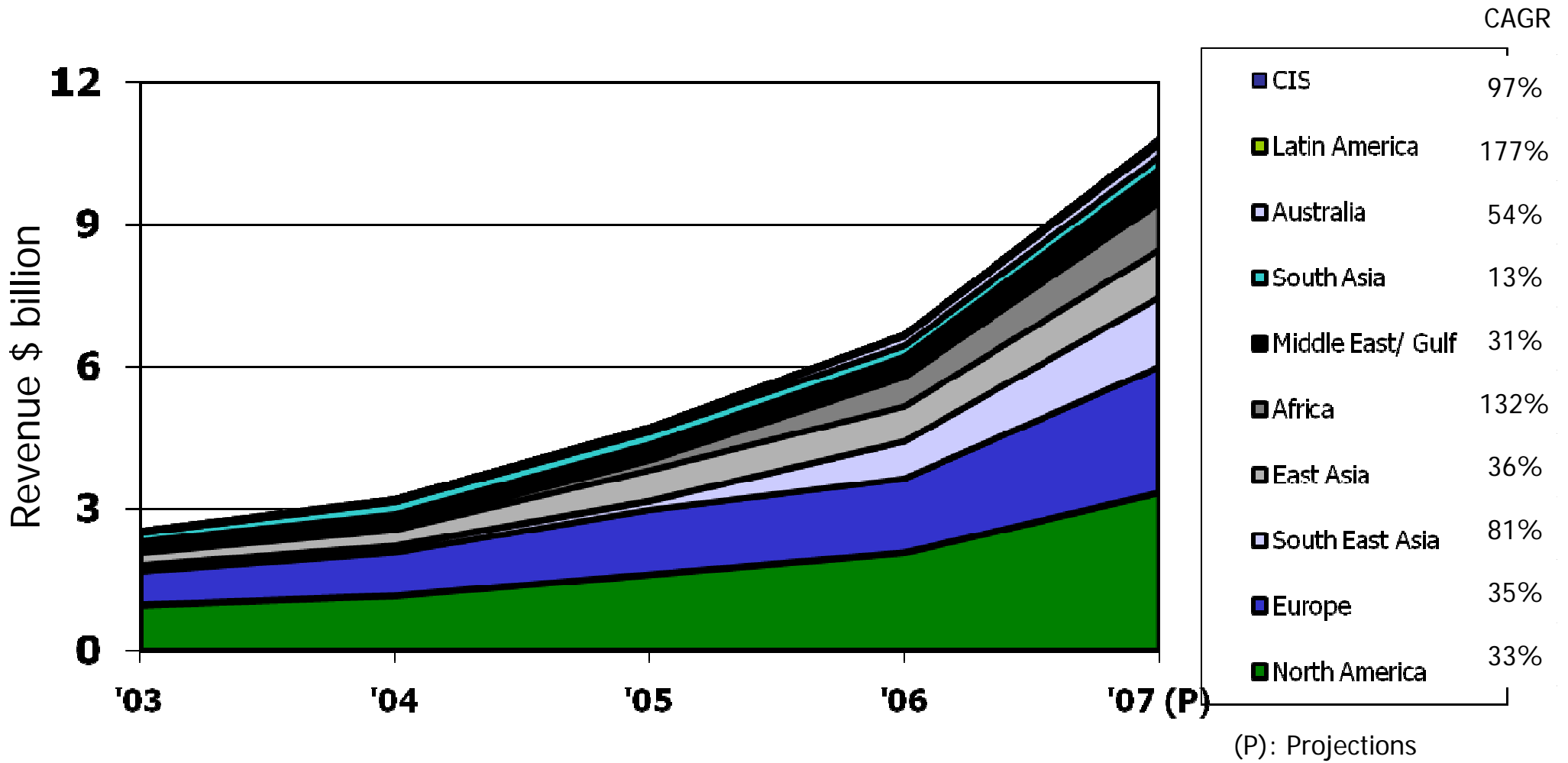
Source: Tata



Country Prioritization

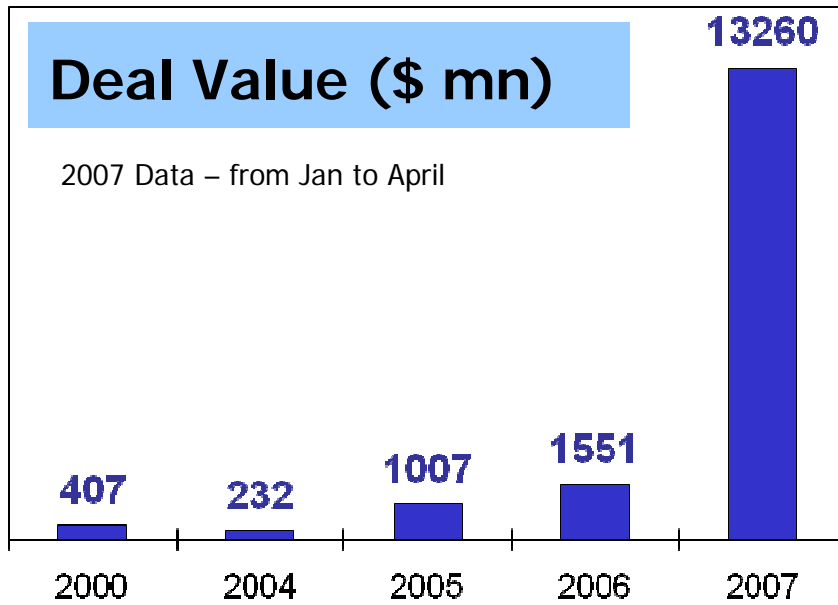
- **Priority countries (mostly OECD, mostly inorganic growth)**
 - USA
 - UK
 - Germany
 - China
- **Emerging economies (mostly organic growth)**
 - South Africa
 - GCC
 - Thailand, Indonesia, Vietnam
 - Brazil, Chile, Mexico, Uruguay
- **Neighboring countries**
 - Sri Lanka
 - Bangladesh

Growth (Geography)



Source: Tata

M&As, mostly in higher-income countries



Tetley



Daewoo



Natsteel



Tyco, Teleglobe



INCAT



Millenium



FNS, Pearl, Comicrom



Brunner Mond



Energy Brands



Corus



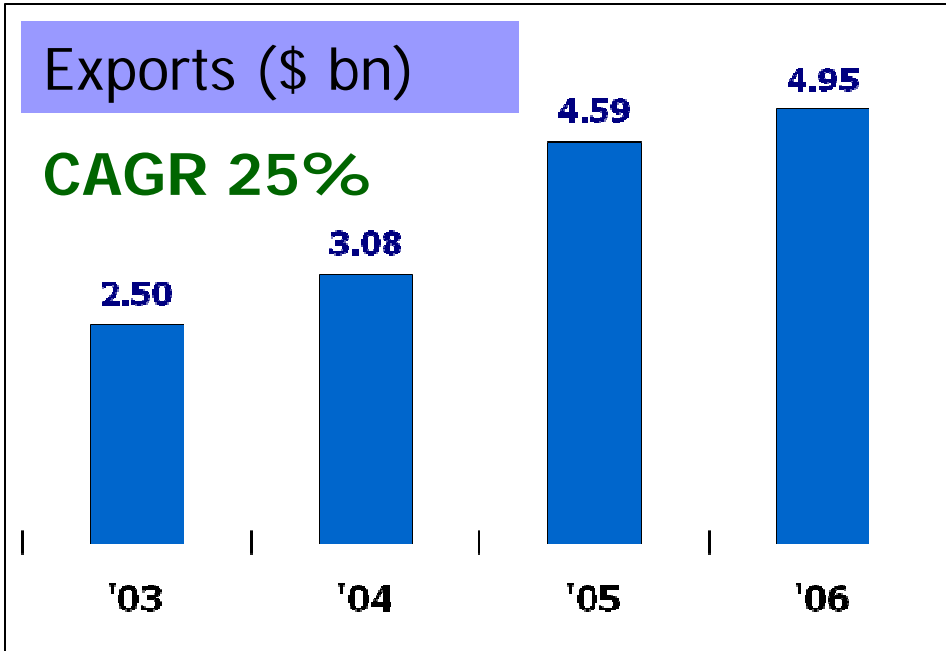
Campton Place



Bumi



Organic Growth



South Africa

Tata Steel



Neotel



Latin America

TCS

Delivery centres - Uruguay, Brazil, Chile

More than 5,000 employees, growing rapidly

Vietnam

China

Tata Steel



TCS



TACO

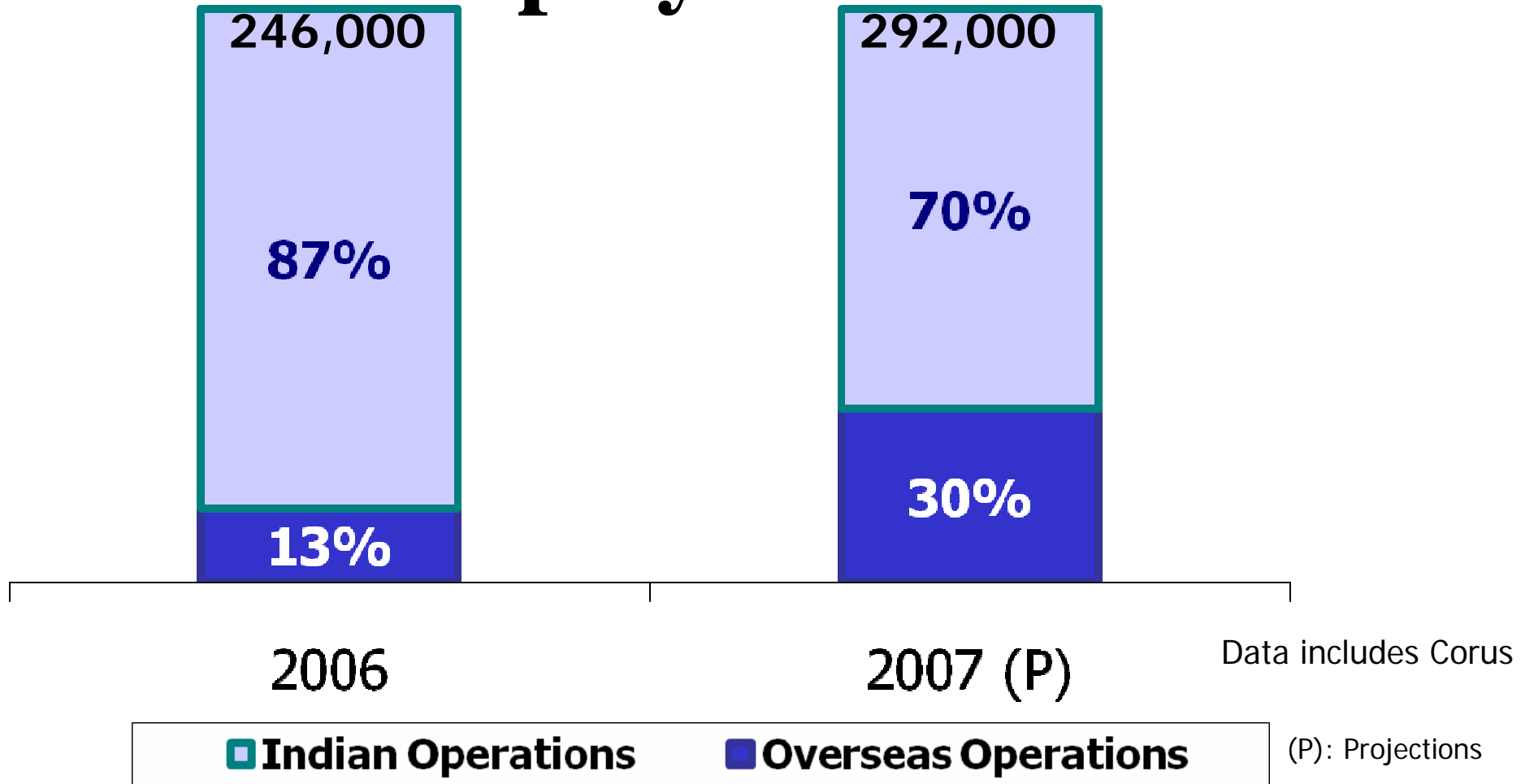


Source: Tata

Table G. The Tata Group in Bangladesh and South Africa

	Bangladesh	South Africa
Tata Steel	Discussion underway for setting up a greenfield gas based 2.4 mtpa plant and develop a 6-7 mtpa coal mine in the Dinajpur district.	US\$103-million ferro-chrome plant in Richards Bay to be commissioned by the end of 2007 or the beginning of 2008. Also expressed an interest in buying a controlling stake in Highveld Steel and Vanadium
Tata Power	Exploring setting up a 1000MW gas-based power plant.	Plans to set up a 300 MW power plant
Tata Chemicals	Will invest over \$450 million in a one million tonne fertiliser plant.	Brunner Mond Group distribution facility at Durban
Indian Hotels		Has teamed up with Tata Africa to form a joint venture called Taj International to invest around US\$180m to develop three Taj branded hotels in Johannesburg, Durban and Cape Town, adding a further 550 rooms to the IHC portfolio.
Tata Motors	Formed a JV with Nitol Motors in 1991 for assembly of Tata vehicles.	Sold over 16,500 vehicles in 2005-06 and acquired the Nissan assembly line in March 2007.
VSNL		The Tata/VSNL Consortium controls the Strategic Equity Partner Company, which in turn has a 51% stake in Neotel, the country's second fixed line operator. Neotel launched services on 31 August 2006.

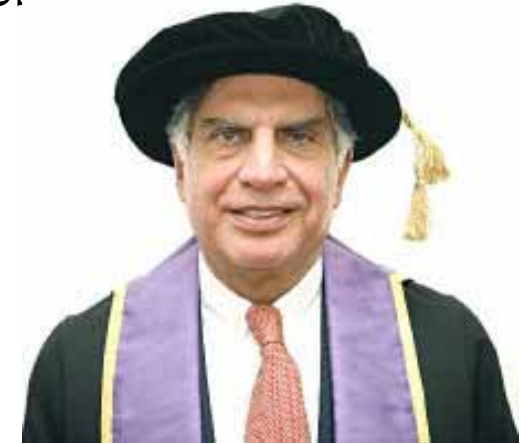
Employee Mix



Source: Tata

TATA Brand in Overseas Geographies

- Be known for the same values in all geographies
- Reach out to opinion makers
- University Sponsorships
- Event Sponsorships
- PR: US, UK, South Africa, China in Phase 1



Group synergies

- a diverse and decentralized Group, but a number of ways to gain Group advantage:
 - Thanks to reputation, the Tata name opens doors.
 - Availability of finance
 - Procurement savings
 - Joint customer pitches (e.g. TCS and VSNL)
 - Group corporate relations with key customers
 - Joint business development (e.g. Bangladesh)

Intra-group knowledge sharing

- Group expertise in the Centre
- The GCC team interacting with companies
- international intranet and other communication
- HR
 - i. Moving people
 - ii. Training people
 - iii. Workshops
 - iv. Hiring people
 - v. Spreading best practice
- Group offices in key complex geographies (US, UK, RSA, China)

Tata Steel's internationalization

- cost advantage
 1. low mining cost compared to international prices and its existing reserves
 2. in-house manufacturing process refinements, energy efficient technologies, and optimum utilization of raw materials
- Integrated supply chain
 - Upstream: chrome ore, ferro chrome, and ferro manganese
 - Downstream: specialty steel for auto and construction industries



Post-merger integration: the Tata Tea case

- What happens when previously autonomous firms from different countries, each with its own identity, routines and capabilities, come together inside a single multinational corporation?
- In the 1990s Tata Tea made a number of strategic decisions
 - Marketing, packaging
 - Vertical disintegration
 - Acquisition of a brand with global appeal
- PMI initially difficult
- Tata Tetley a subsidiary of Tata Tea in December 2005.
 - buying bases in London, Kolkata and Mombasa to leverage economies of scale.
 - R&D, IT, finance and communication infrastructure
 - refinancing of high-cost Tetley debt
 - Brand leveraging
- acquisitions are successful when they are additive rather than substitutive (as in Jones and Miskell 2007)

Conclusions

- accelerated internationalization (Matthews 2002).
- multiple factors
 - the need to access new markets (e.g., in BPO services)
 - the opportunity to integrate the value chain (e.g., in steel)
 - the quest for brand control (e.g., in tea).
- strategy proved feasible because Tata
 - possesses strong leadership combined with vision
 - can exploit the possibility of leveraging increasingly developed financial markets in India, a large domestic market, and global liquidity
 - reacted fast to the opening of opportunities

Conclusions (ct'd)

- DNA is resilient
- organizational solutions aimed at fostering mutual recognition and knowledge exchange within the multinational conglomerate
 - Group structure
 - Parsee minority → “gentle approach”
- Future research
 - case studies to analyze management practices, industrial relations, the organization of R&D function and innovation.
 - hybridization – i.e. the process whereby corporate models take multiple and diverging roads to innovate and become increasingly open to the global economy