# The Internationalization of Indian Companies: The Case of Tata

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## *Abstract*

The Tata Group plays a central role in the Indian economy and is currently at the fore in the internationalization of Indian companies. Tata has some specific features, including the role played by Tata Sons and Tata Industries in coordinating financial and managerial activities and managing the Tata brand, as well as the strong emphasis on corporate social responsibility, mainly though not exclusively through the Tata trusts. This paper first assembles available evidence on the internationalization of Tata firms through both mergers and acquisitions and greenfield investments and considers the relative importance of underlying factors driving the process: market access for exports and delivery of services, sources of raw materials, and horizontal or vertical integration. It then analyzes how internationalization is changing the nature and corporate culture of Tata, before discussing the post-merger integration of Tetley into Tata Tea, seven years after this acquisition – then the largest-ever by an Indian company in a foreign country – was finalized. In the conclusions, the paper explores the implications of the Tata experience for the internationalization of large firms from India and other emerging economies.

## *Introduction*

As OECD, UNCTAD and other international organizations have highlighted in their recent analyses,[1] the international expansion of large companies from emerging markets (commonly referred to as emerging economies' multinational enterprises – EMNEs) is a new and dynamic feature of the global investment landscape. The Indian corporate sector has been an active participant in this "game." The total value of outbound FDI deals, which were valued at US$4.3 billion in 2005, crossed the US$15 billion-mark in the following year and could well breach the US$35-billion level this year and even exceed inbound flows (Ramamurti and Singh 2007). Among Indian companies expecting to do a deal in the next three years, a resounding 94% expect this to be a cross-border acquisition (Grant Thornton 2006). While this is not the first extended period of internationalization for Indian big business – in the 1970/1980s already, Indian firms went "down-market," that is, to countries less developed than India (Lall 1983) – nowadays the geography and the circumstances of OFDI seem to differ. Following the progressive relaxation of foreign exchange controls, Indian companies can now invest up to 300% of their adjusted net worth without prior permission. Most deals are directed at more advanced markets, as Indian companies are increasingly driven by cost advantage, production efficiency, managers' willingness to take on risk, and exposure of domestic companies and their management to Western and Japanese competitors. Government is also playing its role, providing political support to Indian companies and managing the economy and the rupee in a way that is conducive to outward FDI.

A number of recent studies have analyzed Indian OFDI. Kumar (2007) develops an analytical framework for explaining the probability of an Indian enterprise investing abroad. He finds that Indian enterprises draw their ownership advantages from their accumulated production experience, cost effectiveness of their production processes and other adaptations to imported technologies made with their technological effort, and sometime with their ability to differentiate product. Ramamurti and Singh (2007) identify four "generic internationalization strategies", each based on a different set of competitive advantages, governed by a specific logic, and resulting in a different choice of target markets and modes of entry. Elango and Pattnaik (2007) seek to explain how Indian firms build capabilities to operate in international markets through learning from parental networks. Using lagged cross-sectional regression models on a sample of 794 firms, they found that firms draw on the international experience of their parental and foreign networks to build such capabilities.

Empirical studies of the strategic constitution of an 'actually existing' multinational that trace its historical construction through the amalgamation of multiple formerly independent firms remain a less explored approach. In this paper, I focus on Tata – India's largest conglomerate and in fact one of the emerging world's largest MNCs – to shed light on the intriguing phenomenon of the rise of multinational corporations from what is still one of the world's poorest countries. Which Tata firms are at the vanguard of internationalization, and why? What international competitive advantages do they enjoy, and why? How do they internationalize, and in which countries? Finally, what impact is internationalization having on Tata firms' values and culture?

[1] See, respectively, Christiansen *et al.* (2007) and UNCTAD (2006).

These questions are of more than academic interest. First, while economists have spent considerable effort understanding the working of economies, they have given much less attention to understanding the scope or internal workings of firms. At Tata, it is the contours of the conglomerate, and not only the individual firms, that are undergoing a rapid transformation. Second, many diversified companies have revenues in excess of the gross domestic products of some smaller countries. In today's world employers have responsibilities not just to their own shareholders and employees, but also to the citizens in the communities in which they are located, wherever in the world that might be (*e.g.*, Locke 2003). Corporations eager to pursue international opportunities thus have to take a hard look at the short- and long-term impact of their presence in a wider world where stakeholders are diverse, globally distributed, and no agreed-upon rules exist. Tata, with its strong corporate culture (as defined in Hirota *et al.* 2007) and unique business model, is a good example of a company that has turned good corporate citizenship into good business. How easily does this approach to domestic operations resist a global strategy of rapid growth? How serious is the risk that transferring abroad soft resources such as good citizenship may create difficulties for firms?

The next section presents a short summary of Tata history, before turning to three features that make it distinctive – the conglomerate nature; the role of the two different "financial heads" at the top of the pyramid in providing a broad range of services to the business units; and the strong emphasis of corporate social responsibility and philanthropy. Section 3 reviews the internationalization process and the implications, while Section 4 analyzes the acquisition of Tetley by Tata Tea.

## 1. A short history of Tata[2]

The Tata Group is almost 150 years old. It currently comprises 96 operating companies,[3] which together employed some 330,000 people and had revenues of US$28.8 billion in 2006-07, the equivalent of about 2.9% of India's GDP. Tata is active in seven major business lines: information systems and communications, engineering, materials, services, energy, consumer products and chemicals. Its 28 publicly listed companies have a combined market capitalisation of US$47.6 billion that is the highest among Indian business houses in the private sector, and a shareholder base of over 2 million. The Group has operations in more than 54 countries and its companies export products and services to 120 nations.

Promoted in 1874 by Jamsetji Tata with a single textile mill, the group has always been controlled by the Tatas, a Parsee family of the close-knit Zoroastrian community, and the Tata Trusts.[4] Prior to independence, Tata Group pioneered several firsts in Indian industry, including the first private sector steel mill, the first private sector power utility, the first luxury hotel chain, the first production of ammonium sulphate, and the first international airline. Table A describes the

[2] Unless otherwise noted, this section builds on the Tata Group websites, accessed in July and September 2007. In fact, Tata must be praised for providing an unusually large amount of information on its site, also including independent media reports which are not necessarily favourable to management.

[3] The number of companies controlled by the house peaked at 150 in 1969 (Tripathi and Jumani 2007, p. 160).

[4] Despite the fact that "the Tatas are not a fecund family" (Piramal 1996, p. 367), the sole non-Tata chairman was Sir Nowroji Saklatvala in 1932-38.

diversification pattern of the group. Tata also helped revolutionize business practices in India. From instituting the eight-hour work day and paid leave to providing a retirement gratuity, it created a standard to which other companies — and eventually Indian government regulators — measured themselves.

In 1938, the group had 14 companies (Piramal 1998, p. 432). After 1947, the Nehru government awarded several projects to JRD Tata (who had been elevated to the top post in the Tata Group in 1938) as part of the nation-building effort. For example, Telco collaborated with Hindalco (a Birla company) and the government to set up Hindustan Aeronautics. Despite providing financial support to the Congress government (Das 2002), the relationship with the government soured during Licence raj. Other groups rapidly built non-market forms of capital — political, social, and reputational — and in the 1970s Tata lost its hitherto unchallenged prominence to Birla and Reliance despite having low product relatedness (Kedia *et al.* 2006). Still, when the coal mines were nationalized in 1971, Tisco's ones were left untouched "on the ground that [they] 'would provide a model for the nationalized mines'" (Piramal 1998, p. 557).

**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)

2 Tata Cement was sold to Lafarge in 1999. TCL's cement plant was set up in 1993 as a means of handling the effluents generated in the production of soda ash and is therefore small, ancillary to the main activities at Mithapur. Cement is sold in the neighbouring areas of Saurashtra and Kutch under the brand ―Shudh‖ and the plant operated at a capacity utilisation of 116% in 2006-07.
3 sold to Hindustan Lever
4 nationalized
5 Acquisition of Volkart Brothers, a Swiss trading firm operating in Bombay since 1851
6 Including Tata Sons Ltd. (23.79) and Tata Investment Corporation (2.87)
7 Including Tata Sons (19.10), Tata Chemicals (7.31), and Tata Investment Corporation (4.88)
8 Croma is owned by Infiniti Retail, a 100% subsidiary of Tata Sons, while Woolworths of Australia provides technical and sourcing support.
9 TCL stake in a JV established in 2006 with Total Produce of Ireland.

*Sources*: Lala (2004), p. 216 (for 1992 Tata's stakes in selected subsidiaries), annual reports and Tata.

JRD blended humane business practices with political savvy and a pioneering spirit and is remembered as India's most important and influential business leader. Strong connections with foreign groups and a well-built brand value enabled the Tatas to enter into new sectors in the 1980s, when timid liberalization progress started. Nonetheless, the conglomerate became unwieldy, as some of the operating companies independently diversified into new businesses, sometimes with little coordination. As it is better explained in the following section, the governance of the group traditionally left considerable leeway to individual operating subsidiaries.[5] In 1996, Tata Sons held a minority stake in these companies varying from 3% to 13%; the Tata companies together owned almost 13% of Tata Sons. As Jaipuria (2002) put it, "the professional management of each of the Tata companies in operation had total control on the companies and ran it as their fiefdom. However, they still fell back on the Tata name when it suited their purpose like raising funds or asking the central Tata management for a bail-out" (p. 4). In fact, the paradox is that, despite being a confederation of loose entities, there was a lot of activity among Tata companies, in the form of intra-group loans, cross-shareholdings, and interlocking directorates.

This lack of central control was the fundamental problem facing Ratan Tata in 1993, when he took the helm following the death of JRD.[6] Tata had then sales of approximately US$2 billion, although this number is misleading when it comes to appreciating the complexity of a conglomerate. It comprised 84 companies of which 39 were listed. Trucks (i.e. Tata Motors, previously Tata Engineering and Locomotive Company, Telco) made up for 30% of sales, steel (i.e., Tata Iron and Steel Company Tisco), 23%, and chemicals (i.e., Tata Chemicals) 16% (Piramal 1996, p. 368). Employees were 242,000 in 1993, a number quite comparable to that of the largest U.S. firm by 1993 assets (General Electric, US$252 billion) with 222,000 employees (Khanna and Palepu 2000, p. 871). In 1998, in consultation with McKinsey & Co., Tata trimmed the lines of businesses from 25 to 12 and reduced the number of group-affiliated firms from 80 to 30 (Naik 2001).

[5] In fact, it is doubtful whether the practice of holding minority, often very small, stakes in listed companies helped to augment the Tatas' financial lever. In India, corporate control is gained with a 26% stake.

[6] Ratan had chaired Tata Industries since 1981. In 1982, he had drawn up a master plan for restructuring the group that was largely ignored ("Transforming Tata," *Business Week*, 21 March 1994).

To tackle the problem of the small stakes, Tata Sons made a rights issue, to which operating companies more or less had to subscribe. Even now, the group would like to increase the stakes in its major holdings to 51% over time to give it even firmer control.[7] Ratan beefed up central management to create a lean corporate office of directors with enough clout to enforce discipline on the operating units.[8] In addition, he gave up some companies in old economy sectors as textiles, and focused on other areas, such as automobiles. Under Ratan, Tata has entered a few new businesses, of which by the far the most important is telecoms.[9]

Group revenue has more than trebled since FY 1999-2000, to reach US$28.81 billion in 2006-07, of which 37.25% corresponds to export and foreign production (Table B). Group turnover is increasingly concentrated in the three largest business segments, with a participation that has gone up from 53% to 78%, while that of the next two largest ones has decreased from 22% to 13% (Table C).

**Table B. Tata Group basic financial data since 1999**

| Year | Group revenue | International revenue incl. exports ($ bn) | International revenue incl. exports (%) |
|---|---|---|---|
| 1999-00 | 8.91 | n.a. | n.a. |
| 2000-01 | 9.04 | n.a. | n.a. |
| 2001-02 | 10.37 | n.a. | n.a. |
| 2002-03 | 11.21 | 2.54 | 22.67 |
| 2003-04 | 14.24 | 3.19 | 22.41 |
| 2004-05 | 17.79 | 4.72 | 26.54 |
| 2005-06 | 21.88 | 6.76 | 30.89 |
| 2006-07 (estimate) | 28.81 | 10.73 | 37.25 |

*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 |
| *3 largest* | *53* | *60* | *69* | *73* | *71* | *75* | *78* |
| *5 largest* | *75* | *77* | *88* | *90* | *89* | *91* | *91* |

[7] "Magna Tata," *CFO Asia*, December 2005/January 2006.

[8] "Reinventing Tata," *The Economist*, 17 February 2001.

[9] Videsh Sanchar Nigam Limited (VSNL) was privatized in February 2002, with Tata buying 45%. In 2001, the Tata Group had previously acquired Computer Maintenance Company (or CMC as it is currently known), that the Government of India had created in 1976 to maintain the installations of IBM. Privatization in India has not advanced as much as in other developing countries and the dearth of diversification opportunities generated by the state's exit may have played a role in the recent trajectory of the Tata Group.

*Source*: Tata.

Engineering is the principal area of operations. In the 1990s Tata Motors was the first car maker in a developing country to engineer and produce a car from the ground up.[10] The pioneering use of concurrent engineering initiatives (overlapping phases of development, taking up long lead time activities, failure analysis and vendor involvement in the early part of the cycle) helped Tata Motors to reduce the product development cycle time (Bowonder 2004). Nonetheless, this did not prevent the company from losing US$110 million in 2000, when truck and bus sales plunged by 40%. One year later, Tata Motors returned to profit on the back of a determined effort to reduce costs, augment productivity, and diversify into exports. Between 2000 and 2006 nearly 6,000 workers were retrenched with early-retirement deals.[11] The time needed to change a die on the passenger car assembly line went from two hours in 2000 to between 12 and 15 minutes. Thanks in part to making dies for Jaguar, Ford, General Motors, and Toyota and allowing Mercedes to run made-in-India vehicles through its paint shop, Tata Motors's break-even point for capacity utilization is one of the best in the industry worldwide. Tata Motors listed on the New York Stock Exchange in 2004 and exports 11% of output, mostly to South Africa. Tata Motors has also embraced the once radical e-sourcing idea, running 750 reverse auctions on Ariba in 2005 to bring down purchasing prices by an average of 7%. In FY 2006-2007 revenue grew to INR319 billion (US$8.1 billion).

Materials, and steel in particular, is the second core area (and in fact it became the first one after the Corus amalgamation). In the early 2000 Tata Steel improved its management of raw materials (crucial in a country where freight costs are high) and upgraded equipment by buying cheap during downturns. It also halved its workforce, from 75,000 to 40,000, and thus became one of the world's most efficient producers, with lower production costs than China's steel majors across the board.[12] In June 2005, World Steel Dynamics, a US-based industry research group, gave Tata Steel ten out of ten for its operating costs in a survey and named it "the best steel company in the world". That year, an ambitious US23 billion expansion plan was unveiled, designed to de-integrate operations by reinforcing upstream output in low-cost locations close to iron ore deposits, while expanding downstream with more finished products closer to the consumer. In March 2005, Moody's assigned Tata Steel the Baa2 fundamental rating – one notch above the then sovereign rating for India.[13]

Finally, ICT services have emerged over the past 15 years as the fastest-growing large-scale business segment. Tata Consultancy Services, set up in 1968, is the oldest and largest of India's outsourcing specialists. In fact it was TCS that first championed the "global delivery model", whereby cheap but highly-educated workers in the subcontinent are put to work writing software and managing computer systems and business processes for clients in the West. With revenues

[10] The design was outsourced to Italy's Institute of Development in Automotive Engineering, which had previously designed the Fiat Palio.

[11] "The Next People's Car," *Forbes*, 16 April 2007.

[12] For details of relative cost for different categories, see "Tata Shows the Way," *Far Eastern Economic Review*, 12 February 2004 and "Unusual steel link-up that could make sense," *Financial Times*, 11 October 2006.

[13] Fitch assigned an investment grade BBB-Foreign Currency Issuer Default Rating to Tata Chemicals in January 2007.

growing at an average rate of 36% every year for the past five years, TCS ambition is to be among the top-ten biggest business consulting and IT services groups in the world by 2010. In 2004, Tata Sons floated TCS, selling 19% of the company and raising US$1.2bn in India's biggest ever initial public offering. In February 2006, TCS received A3 issuer rating and an indicative foreign currency debt rating of Baa1 (the one that would be assigned to any foreign currency bonds sold under foreign law) from Moody's.

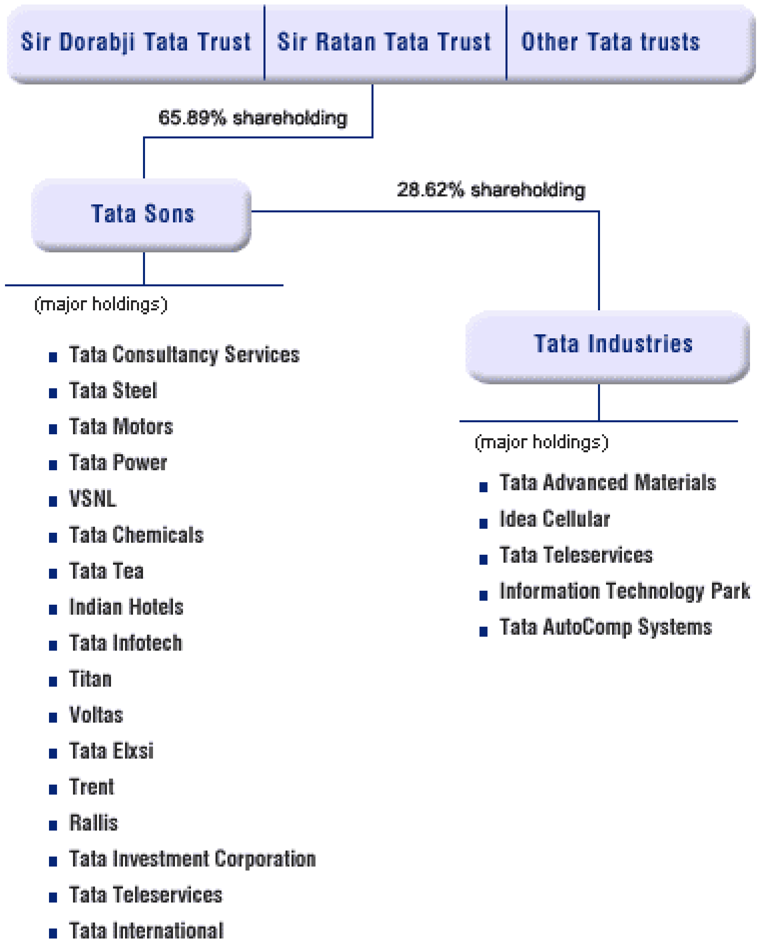
## *2. Is Tata different?*

Tata is a conglomerate like many others in the developing world, although each of its two "financial heads" performs a different role. What makes the group peculiar, if not unique, is the fact that one of these two heads is more than a simple financial holding, as it also centrally manages the Tata brand and provides high-level training. Moreover, the value of the brand itself is associated to the philanthropy activities performed by the trusts that control the two promoter companies.

### *2.1. Conglomerate*

Tata Sons and Tata Industries (TIL) are the two promoter companies. Tata Sons was established as a trading enterprise in 1868 and continued to promote and manage all major Tata companies until 1970 when the managing agency system was abolished. Although the group is no longer a legal construct, it still holds the bulk of shareholding in these companies. The chairman of Tata Sons has traditionally been the chairman of the Tata Group. Tata Sons is the owner of the Tata name and the Tata trademark, which are registered in India and several other countries. TIL was set up by Tata Sons in 1945 as a managing agency for businesses it promoted. Following the abolition of the managing agency system, TIL' mandate was recast, in the early 1980s, to promote the entry into new and high-tech areas, including control systems, information technology, financial services, autovehicle components, advanced materials and telecom hardware, as well as telecommunication services. These ventures are often partly financed by Tata Sons and the main Tata Group companies, with TIL generally maintaining a 10-to-20% stake.

**Group holding structure**




The Tata Group is currently headed by Ratan Tata. The Group Executive Office (GEO) and the Group Corporate Centre (GCC) are the two decision-making bodies that define and direct the business endeavours of the Tata Group. Created in 1998/2001, the GEO defines and reviews the business activities of the Tata Group and is involved in implementing programmes in corporate governance, human resources, the environment, etc. The chief objective of the GEO is to make the Tata Group more synergistic and create a shared understanding of a Tata company's current activities, its strengths and its weaknesses. The GEO assesses what unique value a company adds to a particular business sector and, conversely, what unique value the Group can bring to that company. The mandate of the GCC is to guide the future strategy and direction of the Tata Group and to work in close coordination with the GEO.

### *2.2. Coordination mechanisms*

The Tata family of companies shares a set of five core values: integrity, understanding, excellence, unity and responsibility. Nation building is a further guiding principle. Tata Group companies have various mechanisms of coordination. Tata Administrative Services, now known as TAS, ensures the recruitment of talented managers.[14] In the 1950s JRD Tata conceived TAS to select

[14] The first recruit was F.A. Mehta in 1956, fresh from earning a PhD in economics from LSE.

and groom some of the best young Indians, provide them opportunities for professional growth, and use that pool of talent as a group resource. TAS consciously recruits for lifelong mobility, across companies, industries and functions, in order to impart that macro view of business which is critical in preparing young professionals for general management. TAS has been recast in recent years, with an increased focus on facilitating mobility across group companies. The programme's one-year training module, renamed 'group orientation and learning' (GOAL), emphasises structured orientation through classroom inputs and field visits. It builds TAS trainees' perspective on the seven core sectors of the Tata Group, its current and future challenges, and its drive to become a truly global organisation. The importance of TAS as a form to mould and socialize Tata managers, however, has declined over the years – nowadays only one of the 14 (all male) CEOs is a TAS graduate, although two of them also joined the group as trainees and one is a family member.

**Table D. Top management profile – CEOs**

| Company | Nationality | Education | Gender | Years with the Tata Group | TAS experience |
|---|---|---|---|---|---|
| Indian Hotels Company | US | Harvard | Male | 4 | No |
| Rallis India | Indian | IIT | Male | 4 | No |
| Tata AIG General | Indian | India | Male | 11 | No |
| Tata Chemicals | Indian | U Mumbai, LSE | Male | 6 | No |
| Tata Motors | Indian | IIT, Aston | Male | 8 | No |
| Tata Power | Indian | IIT | Male | 7 | No |
| Tata Steel | Indian | IIT, INSEAD | Male | > 30 | Joined as a trainee |
| Tata Tea | Indian | India | Male | 32 | No (?) |
| Tata Technologies | US | Stanford | Male | 26 | No |
| TCS | Indian | IIS, UCLA | Male | 30 | Joined as a trainee |
| Titan Industries | Indian | IIT | Male | 24 | No |
| Trent | Indian | Sussex, INSEAD | Male | | No (family member) |
| Voltas | Indian | | Male | 17 | No |
| VSNL | Indian | IIT, IIM | Male | 17 | Yes |

In 1996, Tata Sons introduced a "Brand Equity and Business Promotion Agreement." All companies wishing to use the Tata name and brand must sign the agreement, pledging to pay an annual royalty to Tata Sons equal to between 0.1% and 0.2% of their revenues.[15] The agreement also forces companies to adhere to the Tata Code of Conduct and to adopt the Tata Business Excellence Model (TBEM), a quality management system based on the Malcolm Baldridge Model.

[15] Tata management hired the UK consultant Wolff Ollins to advise it on developing the brand. It now works with Counselage India on branding issues.

From a strictly legal point of view, the Tata companies did not use to outshine the rest of corporate India in terms of governance. The fact of being "associated with a large family business group […] compensated for this institutional void, particularly through the availability of an internal market for capital and labour" (Udayasankar and Das 2007, p. 265). The situation has changed rather rapidly in recent years – TCS now boats six independents out of eight directors on the company's board, while at Tata Motors the four independent directors comprise more than one third of the total strength of the board.[16]

### *2.3. Philanthropy and social engagement*

The last specificity of Tata is the fact that nearly two-thirds of the equity of Tata Sons is held by philanthropic trusts.[17] The Sir Ratan Tata Trust was established in 1918 following the death of Sir Ratan Tata, the younger son of Jamsetji Tata, and it operates to further "the advancement of education, learning and industry in all its branches".[18] The Sir Dorabji Tata Trust was established in 1932 by Sir Dorab Tata, Jamsetji's elder son, who bequeathed all his wealth, including the famed 245-carat Jubilee diamond, just before his death. The Trust is known for promoting pioneering institutions of national importance.[19] The 'allied trusts' component of the Sir Dorabji Tata Trust comprises the Tata Social Welfare Trust, the RD Tata Trust,[20] the Tata Education Trust, the JRD Tata Trust,[21] the JRD Tata and Thelma Tata Trust,[22] the Jamsetji Tata Trust,[23] the JN

[16] In family-controlled groups, intergenerational transfer is an additional issue. Tata Sons averted a succession crisis in July 2005 by temporarily extending the retirement age of non-executive directors from 70 to 75, allowing Ratan to stay on until 2012.

[17] Constructing magnate Shapoorji Mistry and his son Pallonji S. have owned a 17.45% (later increased to 18.37%) stake since the late 1930s, making them the single largest shareholder of Tata Sons. The Mistrys bought out the estate of solicitor F.E. Dinshaw's 12.5% stake in Tata Sons sometime in the 1930s. They increased their stake later in the decade from some members of the Tata family. Pallonji Mistry's son-in-law Noel Tata is Ratan's half-brother and Managing Director of Trent, the group's retail flagship. It is sometimes rumoured in corporate circles that he may become Tata Sons' chairman ("Missing the action," *Businessworld*, 16 October 2006).

[18] Jamsetji Tata established the JN Tata Endowment Scheme for higher education in 1892. The maiden grant was to Dr Freney Cama, who became one of the first women gynaecologists in India. Of the 37 beneficiaries in the first batch, as many as 15 joined the Indian Civil Service, the colonial version of the Indian Administrative Service. By 1924, over a third of Indian ICS officers were Tata scholars.

[19] These include the Tata Institute of Social Sciences, the Tata Memorial Centre for Cancer Research and Treatment, the Tata Institute of Fundamental Research, the Tata Agricultural and Rural Training Centre for the Blind, and the National Centre for the Performing Arts. Over the last 15 years, it has helped in establishing the Sir Dorabji Tata Trust Centre for Research in Tropical Diseases at the Indian Institute of Science, the JRD Tata Ecotechnology Centre, and the National Institute of Advanced Studies. The Trust also backed the creation of the rural campus by the Tata Institute of Social Sciences at Tuljapur and the Tata Medical Centre in Kolkata (to be operational by end-2007, see "Fighting cancer," *Business India*, 12 March 2006).

[20] The RD Tata Trust, named after Jamsetji Tata's cousin and JRD's father, and set up in 1990, gives institutional grants to advance learning and also backs social welfare projects.

[21] The JRD Tata Trust, established in 1944, gives institutional donations to promote the advancement of learning, supports research grants and scholarships, provides disaster relief and backs social welfare projects.

[22] The JRD and Thelma J Tata Trust, set up in 1991 by JRD with his and his wife Thelma's personal wealth, works to uplift women and children.

[23] The Jamsetji Tata Trust, established in 1974 to mark the centenary of the first Tata enterprise, bestows grants for innovation.

Tata Endowment, the Lady Meherbai Tata Memorial Trust,[24] and the Lady Meherbai Tata Education Trust.[25] The MK Tata Trust, set up in 1958 by Minocher K. Tata with his personal resources, delivers research grants and scholarships for the advancement of learning in all its branches as well as donating medical and other relief during natural calamities. The Tata Social Welfare Trust and the Tata Education Trust were founded in 1990. The Trusts' trustees mostly belong to the family, although selected executives (such as Krishna Kumar) are also appointed.

In a 2005 interview to *The McKinsey Quarterly*, Ratan clearly expressed the corporate philosophy: "I think it is wrong for a company in India to operate in exactly the same way, without any additional responsibilities, as if it were operating in the United States, let's say. And even in the United States, I think if you had an enlightened corporation that went into the Deep South, you would see more of a sense of social responsibility, of doing more for the community, than the company might accept in New York City or Boston. Because it is inevitable that you need to be a good corporate citizen in that kind of environment. And companies that are not good corporate citizens—those that don't hold to standards and that allow the environment and the community to suffer—are really criminals in today's world."[26]

In FY 2007, Tata Trusts' total grants amounted to U$58 million and the Tata companies' "contribution to social welfare" was US$61 million. Individual companies' examples are illustrative of the scale and scope of this engagement. In 2001, Jamshedpur Utilities and Services Company Limited (JUSCO), a wholly owned subsidiary of Tata Steel, was running 23 schools with 22,474 pupils and a hospital with a capacity of 1,200 beds.[27] Tata Motors' code of conduct is formulated around the ILO Declaration on Fundamental Principles and Rights at Work. The company requires its SME vendor companies to guarantee freedom of association and compliance with national labor legislation, also with regard to minimum wages. Telco was found to provide apprenticeship training to more than the prescribed number of apprentices (Dagaur 1997). Tata-AIG has developed an innovative micro-insurance delivery model.[28] In YEAR, building around TBEM, the Tata Council for Community Initiatives (TCCI) was created. The organisation helps Tata companies in streamlining social development, environmental management, biodiversity restoration and employee volunteering objectives into corporate processes. TCCI is headed by Kishor Chaukar, a member of the Tata Group Corporate Centre, and counts 43 chief executive officers of Tata companies among its members. The Tata Index for Sustainable Human Development, crafted in collaboration with the United Nations Development Programme (India), aims at directing, measuring and enhancing the community work that group enterprises undertake.

[24] The Lady Tata Memorial Trust sponsors international research into leukaemia.

[25] The Lady Meherbai D. Tata Education Trust enables young women to go abroad and specialise in social work.

[26] "What's next for Tata Group: An interview with its chairman," Number 4, 2005. At times this commitment may have slowed down the pace of transformation when management was confronted with the negative reaction of employees who felt betrayed at the thought of Tata severing its ties. "Giant steps for a corporate colossus," *Financial Times*, 3 August 2005.

[27] "Galvanised by freedom from social duty," *Financial Times*, 10 July 2001.

[28] Just like Tata-AIG entered micro-insurance as a condition for acquiring a license to sell insurance in India, for Telco investing in training makes business sense – the performance of trainees who undergo the full apprenticeship is slightly better than that of trainees who join the enterprise after following training courses in Indian technology institutes.

TCCI is also involved in assisting Tata companies address the sustainability subject through the United Nations' Global Reporting Initiative.

## 3. Tata internationalization

### *3.1. Main trends*

The Tatas' outlook has been outward-oriented from the very beginning. Tata Limited was established in London in 1907 as the Tata Group's representative in Europe. During WWII, the Tatanagar, a light armoured car, "was used extensively by the British Army engaged on the North African front" (Tripathi and Jumani 2007, p. 129). Immediately after WWII, Tata Incorporated was established in New York as the representative office of the Tata Group in the Americas.

The Tatas' personal vicissitudes have also been very international. Sir Ratan owned York House in Twickenham, to the south-west of London, which he bought from the Duc d'Orleans. Many Tatas are buried overseas – Sir Dorabji, for instance, died at Bad Kissingen in Germany during a trip to visit his wife's grave in England. JRD was born, in Paris in 1904, to R.D. Tata, a business partner and relative of Jamsetji Tata and his French wife Sooni. JRD was educated in France, Japan and England before being drafted into the French army for a mandatory period of one year. His fascination with planes, which led him to create Air-India, started by befriending the son of Louis Bleriot, the French flying pioneer. Finally, social engagement has also trespassed national borders. Between November 1909 and August 1912, Sir Ratan made three donations equal to £5,000 to assist Mahatma Gandhi's Transvaal passive resistance fund in the fight for the rights of the Indians in South Africa. In 1912, the Sir Ratan Tata Foundation gave seed research funds to LSE founders Sidney and Beatrice Webb.

In the 1950s, various Tata companies cooperated with foreign partners such as Daimler Benz and the World Bank. As developing countries gained independence, the house implemented many donor-funded turnkey projects in Africa and West Asia. Tata International was established in 1962 to offer value-added services in international trading focused on leather and engineering. It also managed customer support facilities for Tata vehicles and design studios for leather. The company and its subsidiaries worldwide have taken stakes in a cross section of businesses. Established in 1972, Singapore-based Tata Precision Industries specialises in high-precision machining, precision fine blanking, engineering plastic moulded parts and tool design.[29] Nonetheless, the Tatas' international reach at the time was much smaller than other Indian large conglomerates such as the Birlas, the Thapars, or the Kirloskars, as well as the Oberoi hotel chain.

In 1990, globalization led to new institutional innovations. A wholly-owned subsidiary of Tata International, Tata Africa Holdings was established in Johannesburg in 1994. It operates in major industrial sectors such as automobiles, steel and engineering, chemicals, information technology, hospitality, farming, and other business areas. Tata Limited in London has become an agent for the global procurement of goods and services for the entire Tata Group. Tata International AG, the international investment and holding company of the Tata Group, its trading subsidiary, Tata

[29] The Tata Government Training Centre (TGTC), supported by the Singapore government, was the first training institute of its kind in Singapore. Tool making, precision machining, electrical and hydraulic installation, as well as mould making, millwright work and other trades were included in the curriculum.

AG, and associate, Tata Enterprises (Overseas) AG, all headquartered in Switzerland, promote and invests in various enterprises and projects overseas. All these milestone notwithstanding, the Tata Group's operations were mostly India-focused until recently. In the case of tea, possibly the most outward-looking business, in the late 1990s international sales were accounting for only 12% of total sales (Chattopadhyay and Lege 2005). Similarly, while Titan is one of the world's top six manufacturer-brands in the watch segment, its overseas operations are limited to a commercial presence.

In a 2004 interview, Ratan Tata "visualize[d] in the next few years the following companies to be the international face of the group: TCS, Tata Motors, Indian Hotels Co., and to some extent, one which won't be that visible, is Tata Power."[30] He has been preaching the need to internationalize in giants strides, not in token, incremental steps.[31] As it turned out, two other companies in the stable have made the largest acquisitions. In 2000, Tata Tea acquired Tetley in a £271 million (US$432 million) leveraged buyout that was the largest takeover of a foreign company by an Indian one to that date. A short analysis of the post-merger trajectory is presented in the following section. Then in early 2007 Tata Steel acquired Anglo-Dutch firm Corus for US$11 billion – the largest deal out of India and the fourth-largest ever in the steel industry – and secured the largest loan ever for an Indian company.[32] With these exceptions, most other acquisitions have been relatively small – in the sense of the target being much smaller in size than the Tata company making the bid.[33]

The total sum of the acquisitions for which deal value is available is slightly larger than US$15 billion, of which 79% corresponds to the Corus operation and 83% to Tata Steel in general. In terms of geography, the UK amounts to 84% – again, dominated by the Corus deal which in fact involved a British-Dutch company. Finally, operations concluded in 2007 account for 81% of the post-2000 total.

The extent of corporate internationalization can be gauged through different indicators, including the proportion of assets, sales and employment outside of one company's home country. Unfortunately, such data are not available for Tata companies in a way that would be consistent with the UNCTAD methodology for computing a transnationality index. Table E provides what incomplete information could be assembled. It highlights that sales (by location of customer) are very internationalized for TCS and Tata Tea, but also for pre-Corus Tata Steel (by location of subsidiary). While the very high figure for TCS clearly reflects the fact that the majority of the business is export of services performed in India, the share of non-Indian nationals is also very

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[30] "Ratan Tata's trials and triumphs," *Business Week*, 26 July 2004.

[31] "Ratan Tata's Global Quest," *Business World*, 9 October 2006.

[32] In October 2006, Tata Steel and Corus had announced that they had agreed on 455p per share price and recommended that their shareholders approve the merger. Brazilian steel maker Companhia Siderúrgica Nacional (CSN) subsequently approached Corus on 17 November 2006, regarding an alternative proposal to make a 475p per ordinary share offer. This proposal did not amount to a firm intention to make an offer and was subject to certain pre-conditions. On 31 January 2007, Tata Steel beat CSN in a nine-round auctions which saw the price per share rise from 520p to 608p. That day, Tata Steel's shares went down by 10.7% to Rs464 and then fell further to a low of Rs399 in late February. On 31 August, the price had recovered to Rs688.

[33] This is different from the pharmaceutical industry, where Indian companies have grown by large acquisitions in OECD markets.

substantial (with no fewer than 67 nationalities represented in the payroll). An interesting anecdote is that TCS has more than 600 Uruguayan employees, even if India has no embassy in Montevideo!

Directorship and management composition constitute other dimensions of internationalization. At Tata Sons, besides Group chairman Ratan Tata, the GEO comprises five Indians and one foreigner. The same six individuals sit on the GCC, which also comprises three additional Indians. Out of the 11 Tata Sons directors – all of them male – five have received foreign degrees, although only four seem to have worked abroad prior to joining the Tata Group (Table F). N. A. Soonawala was deputed by ICICI to the Development Banks in Ghana and Nigeria in the 1960s, Farrokh Kavarana was with McKinsey and The Bowater Corporation in the 1970s, R Gopalakrishnan with Unilever Arabia, based in Jeddah, in the early 1990s, and Alan Rosling with Piersons, the British Prime Minister office, United Distillers, and Jardine Matheson Group in Hong Kong in 1983-2003.[34]

Each company has its own management, which is more international, with two Americans among the Group's top 13 executives.[35] Among the operating affiliates, non-Indian residents account for a large percentage of directors for TCS and post-Corus Tata Steel only (Table E). In fact TCS is the only Tata company with multiple Indian directors based overseas – a practice that other Indian corporates such as Infosys have also adopted to raise their global profile (Khanna and Palepu 2004). Other Tata affiliates resort to the Indian diaspora occasionally – according to the *Financial Times*, "a key figure in the project [to establish a high-tech development centre near Coventry] has been Lord Bhattacharya. Lord Bhattacharya has made astute use of his international contacts to build up Warwick Manufacturing Group."[36]

[34] In 1996 Jardine Matheson bought 20% of TIL for Rs.1.26 billion (US$26 million) and Rosling represented the Hong Kong *hong* on the boards of TIL and Tata Automotive Components. He was also managing director of Concorde Motors, a joint venture between Jardine Motors and the Tata Group, prior to the sale of the Jardine stake to the Tatas in 2002.

[35] At this level there is one interlocking directorate (the managing director of Tata Motor, Ravi Kant, is also on the board of Voltas) and only one top executive has worked for multiple Tata companies (Homi Khusrokhan was managing director of Tata Tea for three years until 2004, when he moved to Tata Chemicals).

[36] "Tata to set up high-tech project in UK," 29 November 2005. The first group's foray into pharma (Tata Industries' acquisition of a sizeable stake in Boston's Indigene Pharmaceuticals) also involved a company founded by an Indian scientist (Dr M Vaman Rao).

**Table F. Top management profile – Tata Sons' directors**

| Member | Nationality | Education | Gender | Years with TG | Main Tata Group directorships | Non-Tata, non-Indian directorships |
|---|---|---|---|---|---|---|
| Ratan Tata | Indian | Cornell University | Male | 45 | Tata Motors, Tata Steel, Tata Consultancy Services, Tata Power, Tata Tea, Tata Chemicals, Indian Hotels, Tata Teleservices and Tata AutoComp | Alcoa, Fiat (also on the International Advisory Boards of Mitsubishi Corporation, the American International Group, J.P. Morgan Chase and Booz-Allen Hamilton; the International Investment Council set up by the President of the Republic of South Africa; and the Board of Trustees of the Ford Foundation) |
| Ishaat Hussain | Indian | St Stephens College, New Delhi | Male | 28 | Titan, Tata Steel and Voltas. | |
| N. A. Soonawala | Indian | Bombay University | Male | 39 | Tata Tea, Tata Motors, Indian Hotels, Trent, Tata Chemicals, Tetley Group | |
| J. J. Irani | Indian | Nagpur and Sheffield Universities | Male | 39 | Tata Motors, Tata International, Tata Steel | |
| R Gopalakrishnan | Indian | Calcutta University, IIT | Male | 9 | Rallis India, Tata Chemicals, Tata Motors, Tata Power | |
| R. K. Krishna Kumar | Indian | University of Madras | Male | 44 | Tata Coffee and Asian Coffee, Tata Tea, Indian Hotels, Rallis India, Tata Tetley | |
| Kishor A. Chaukar | Indian | IIM | Male | 9 | | |
| Arunkumar Gandhi | Indian | n.a. | Male | 4 | | |
| Alan Rosling | British | Cambridge and Harvard | Male | 4 | Tata AutoComp Systems and Tata International. | |
| Syamal Gupta | Indian | Harvard | Male | 50 | Tata International, Tata Elxsi, Tata BP Solar India, TCE Consulting Engineers | Institute of Commonwealth Studies (also honorary consul general of Namibia, member of the President's advisory council in Tanzania, Uganda and Ghana) |
| Farrokh K Kavarana | Indian | Bombay and Pennsylvania Universities | Male | 33 | Tata AIG, Tata Projects, Trent, Tata Tea and Titan Industries | |

### 3.2. Determinants

With so many large companies and so many deals, it is fair to say that Tata fits into all of Dunning standard categories for explaining internationalization. A textbook case of resource-seeking internationalization is Tata Chemicals, the world‘s third-largest manufacturers of soda ash after the acquisition of the three plants of Brunner Mond, the second-largest producer in Europe, in December 2005. Strategically, after the acquisition, Tata Chemicals can complement its stake in Indo Maroc Phosphore (IMACID) with a cheaper source of natural soda ash from Magadi, Kenya. The operation is unique in that the soda ash at that site is naturally produced and replenished, making it one of the lowest cost producers in the world.[37] A large part of Magadi production even today finds its way to India. Similarly, Tata Power has purchased 30% equity stakes in two major Indonesian thermal coal producers (Kaltim Prima Coal and Arutmin Indonesia) and a related trading company owned by Bumi Resources. The companies are together among the top three largest exporting thermal coal mines in the world. As part of the purchase, Tata Power has signed an off-take agreement to purchase about 10 million tonnes of coal per annum.

In the case of acquisitions in more developed markets, a combination of efficiency-, market-, and resource-seeking motivations can be detected. TCS acquired Switzerland-based TKS-Teknosoft to possess marketing and distribution rights to the QUARTZ® platform for wholesale banks, to add new products in the private banking and wealth management space, and for its track record of successful implementation of large and complex key technology projects in Europe, including the securities clearing and settlement system of Switzerland. In the case of Tata Steel, which is already one of the world’s lowest cost producers, Corus brings market access in the EU and higher-value qualities of steel. Already in 2005 the acquisitions of Singapore’s NatSteel and Thailand’s Millenium Steel strengthened Tata Steel’s position in higher value finished products in growing Asian markets, such as wire rods for construction, as the company also built on its strength in semi-finished steel. More generally, the aim is to avoid the tariffs on imported finished steel products. The purchase of Daewoo’s commercial truck operation in 2004 served to combine South Korean skills in end-uses for trucks, such as cement mixers and tippers, with the Indians’ talent for manufacturing chassis, as well as to enhance business operations in Asia.[38] That of Incat, also by Tata Motors, in 2005 aimed at integrating engineering and design services skills into the automotive business.

In the case of VSNL, competition at home has been the main driver.[39] Two months after Tata took it over, VSNL’s monopoly on international long distance voice in India – which accounted for nearly 90% of its revenue – came to an end, making diversification and reinvention a question of necessity. The company entered new domestic businesses, such as national long-distance, enterprise data and internet telephony services. Mobility was not an option as other companies in the Group were already in the mobile market. Then in 2003-05 three deals abroad enabled VSNL

[37] The cost of producing natural soda ash is roughly 50% of synthetic soda ash.

[38] “Giant stung into singing its praises,” *Financial Times*, 22 March 2005. Tata Motors has also become the second-largest shareholder of Hispano Carrocera after the Múgica brothers. In 2007, Hispano Carrocera increased employment at the La Cartuja (Zaragoza) plant by 25% to cope with the additional demand generated by Tata’s decision to sell the Spanish trucks through its dealerships in developing countries. See “Hispano Carrocera incorporará a unos 100 nuevos trabajadores,” *El Periódico de Aragón*, 29 May 2007.

[39] VSNL was renamed Tata Communications on 31 October 2007.

to acquire advanced voice, data and signalling capabilities (including a 60,000-km network, including submarine cables under the Atlantic and the Pacific Oceans) and more than 200 direct and bilateral agreements with leading voice carriers. Teleglobe's greatest asset however is a software system which facilitates the location of roaming mobiles and is in use at 95% of telecom operators in the world. VSNL is now the third-largest carrier of voice minutes in the world. VSNL has recently purchased Cipris, a small French Virtual Network Operator, to target the European SME market and learn lessons applicable to India.[40]

While most Tata companies are growing by acquisition, TCS has invested more in greenfield projects to sustain its Global Network Delivery Model.[41] It opened a software centre in Hungary in 2001, reckoning that while outsourcing business processes to India may not be difficult for American and British companies, in non-English speaking countries India seemed remote. In China, operations started off as a back-up site staffed by Indians serving US clients worried about what might happen in the event of an Indo-Pakistan war. Now TCS operation in the country is focused on the domestic market and employs 1,200 Chinese. TCS was the first Indian BPO company to invest across Latin America to provide near-shore services for U.S. clients and plans to open a facility in Cincinnati to qualify for IT outsourcing work that can only be done onshore, such as government contracts.

Finally, Indian Hotels, best known for its Taj luxury hotel chain, provides an interesting model of aggressive growth in different business and regional segments. The hotelier has earmarked $1.5bn for international expansion. Indian Hotels is slated to open four new luxury properties in the next two years in countries where it expects most of the customers to be Indian — the Taj Exotica Resort, Spa and Golf in Doha (2008); the Taj Exotica Resort & Spa in Dubai (2008); the Taj Exotica Resort & Spa in Phuket (2009), and a yet-unnamed luxury hotel in Cape Town (2008). In other venues, Taj has bought existing properties such as 51 Buckingham Gate in London, W (now renamed Blue) in Sydney, and Boston's Ritz-Carlton Hotel, renamed the Taj Boston.[42] In September 2007, it paid US$211m for a 10% stake in Orient-Express Hotels and hinted at a deeper "possible association" with the owner of iconic brands such as the Hotel Cipriani in Venice, the Eastern & Oriental Express rail in south-east Asia and the 21 Club restaurant in New York.

**Table E. Tata companies' internationalization profile**

| Company | Assets | Sales | Employment | Directors |
|---|---|---|---|---|
| Indian Hotels Company | 22.85[1] | | | 1/9 |
| Tata Chemicals | | | | 0/10 |
| Tata Motors | | 9.54 | | 0/11 |

[40] "L'indien Tata se lance à l'assaut des telecommunications européennes," *Le Monde,* 18 January 2007.

[41] As Montgomery (1994) noted, "there appears to be a pattern and logic to the diversification choices of most firms that is related to their base of resources, even though the variety of configurations across firms is very large." In a recent paper, Nocke and Yeaple (2007) develop a general equilibrium model with heterogeneous firms to analyze the international organization of production. They show that the degree to which firms differ in their mobile and non-mobile capabilities plays a crucial role in the choice between different modes of foreign market access: exporting, greenfield FDI, and cross-border M&A.

[42] The Taj Group entered the hospitality industry in the United States in July 2005, when it took over the management of The Pierre, a luxurious landmark hotel on New York's Fifth Avenue.

| | | | | |
|---|---|---|---|---|
| Tata Steel | | 41.01 | | 4/14 |
| Tata Tea | | 74.95 | | 2/10 |
| TCS | | 91.00 | 9.6[2] | 5/8[3] |
| Titan Industries | | | | 0/10 |
| Voltas | | | | 0/8 |
| VSNL | | | | 0/11 |

*Notes*: (1) number of properties weighted per stars (Luxury Hotel = 5, Business Hotel = 4, Leisure Hotel = 3, and Ginger Hotel = 2); (2) refers to non-Indian employees, regardless of location; (3) including non-resident Indians Aman Mehta and Venkatraman Thyagarajan.
*Sources*: companies' annual reports

### *3.3. Implications*

The accumulation of acquisition opportunities risks derailing the focus on the core business. In 2003, Ratan first mentioned his dream of building a one-lakh (about US$2,500) car – the cheapest, by far, ever made. If the yet-to-be-named car is a success when it goes on sale in 2008, it will herald the emergence of Tata Motors on the global auto scene, mark the advent of India as a global centre for small-car production and represent a victory for those who advocate making cheap goods for potential customers at the "bottom of the pyramid" in emerging markets. With this background, it is not surprising that pundits rumbled in summer 2007 when Tata Motors joined the bidding for two of the world's most luxurious brands, Jaguar and Land Rovers. In short, the question is whether winning trophy brands is a correct strategy when the ultimate objective is to gain the appropriate production scale and technology to be the world's lowest-cost car producer.

Second, integration issues are responsible for the relatively high failure rate of international M&As (Bruner 2005).[43] The 2006/07 annual report of VSNL lists integrating acquisitions, managing operations in diverse international locations and changes in the local regulations as critical risks for the success of the company's plans. The Tata companies have tried to develop an ability to understand the culture of the country where the acquisition takes place, as well as the working environment in that country, as a strategic tool for skilful handling of post-merger issues. In the recent Corus combine, a Strategic and Integration Committee (SIC) chaired by Ratan Tata has been formed to facilitate integration and create a virtual organisation across the combined businesses.[44]

The paradox is obviously that the emphasis on collaboration rather than controlling as the adaptive model may make it more difficult to keep the distinctiveness of the Tata Equity Brand. In fact a crucial issue being debated within Tata is to what extent a group strategy, including a country-specific one, is needed to maintain a modicum of coherence. In South Africa and, to a lesser extent, Bangladesh, Tata seems to be looking at opportunities for diversification into *prima*

[43] While not an acquisition, Tata Motors' partnership with MG Rover of the United Kingdom, signed in 2003, soon proved problematic and was terminated in 2004.

[44] The SIC will develop the common agenda for the combined Group that will focus on continuous improvement, sharing of best practices, manufacturing excellence, cross-fertilisation of research and development capabilities, rationalisation of costs across the businesses and create the foundation to pursue growth in the future. A structured approach has been undertaken and the entire integration is being co-ordinated by a Program Office formed for the above purpose. Several teams having representations from both companies have already been set up to handle the integration and strategic work streams.

*facie* unrelated businesses along the lines of the home country trajectory.[45] Nothing like this in the United Kingdom, although no fewer than 18 Tata companies operate there and generate US$1.6 billion in sales in 2006-07.[46] Although not explicitly stated as such, the reason may in fact be that conglomeration has advantages in a developing country context and not in an industrial one – despite the difficulties that Tata faces in Bangladesh for political reasons.[47]

**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. |

[45] Zambian operations, although much smaller in size, are organized in a more structured way. Tata Zambia, the oldest member of Tata Africa Holdings, was established in 1977 to market Telco vehicles. It has since expanded its sphere of business to general trading (the Eagle bicycles brand, steel, tyres, water-treatment chemicals, etc.), mining machinery, agriculture (a 508-hectare farm at Ngwerere near Lusaka that grows export quality roses and also cultivates crops such as maize, wheat, and vegetables), and properties, including the Taj Pamodzi. Tata Zambia has branch offices in Malawi and Senegal (where Tata Motors also operates a bus assembly facility).

[46] "Ratan Tata's Global Quest," *cit*. In June 2007, the Jamsetji Tata Trust has pledged £1.8 million to the London School of Economics and Political Science (LSE) to support research collaboration between LSE and the Tata Institute of Social Sciences in India (TISS).

[47] The proposal to invest up to US$3 billion in the single largest FDI in the country sparked local opposition and the government failed to take a decision by the June 2006 deadline ("'Tata effects' looks set to weave its economic magic on Bangladesh," *Financial Times*, 2 November 2005 and "Bangladesh's forward move," *Business India*, 6 May 2007). Political issues also plagued Tata Steel's bid for Kryvorizhstal in Ukraine (the company was sold to a consortium that included the president's son-in-law, although the deal was later revoked by a new administration).

In keeping with the commitment to societal responsibilities, Tata Group has been actively involved in initiatives that promote the social and economic development of host countries. The United Nations' Global Compact has emerged as a key instrument to adopt common principles in the areas of human rights, labour standards, the environment and anti-corruption. All the ten principles of the UN Global Compact are incorporated in the Tata Code of Conduct.[48] Tata Steel is a founder member of the Global Compact and also been conferred the Global Compact Business Coalition Award for Business Excellence in the Community in recognition of its pioneering work in the field of HIV/AIDS awareness. The city of Jamshedpur is one among six in the world to be chosen to participate in the UN Global Compact Cities Pilot Programme. Tata Steel Managing Director B Muthuraman sits on the 20-member the Board of the Global Compact. Tata Motors has formulated in 2005 specific policies on Human Rights, as enunciated by International Labour Organization. There are also policies on Equal Opportunity, Non-Discrimination in Employment and Sexual Harassment.

The Adult Literacy Project is in South Africa of particular interest insofar as the community development program is adapted from TCS's computer-based functional literacy initiative that was implemented in India. The project was replicated in the North Sortho (Sepedi) language in partnership with the WDB Trust, an organisation that works in the areas of micro finance, entrepreneur training and education of impoverished rural women. The initiative has so far trained 65 people to read, with plans to introduce more languages to the programme and thus increase its reach. Other synergies have been created in a skills-development program in rural South Africa developed by Tata Africa and Kgabane, an organisation set up by the Ministry for Minerals and Energy in partnership with Harmony Gold and Mintek (the South African R&D centre for minerals technology). As part of the programme, trainees journeyed to India where they were trained in jewellery making at the Titan plant in Bangalore and in decorating ceramic ware at Tata Ceramics in Kochi.

An additional problem is lack of recognition and the ever-lingering risk that an Indian company is treated as a sub-standard entity.[49] Again various Tata companies have started post-merger integration by bringing the board of the acquired foreign companies to India to show them the new owners' facilities.[50] As part of the drive to get the group's message across, the group is also opening offices in key countries.[51]

## 4. Post-merger integration: the Tata Tea case

As said above, the acquisition of Tetley in 2000 was the first major foreign takeover by an Indian corporate, *a fortiori* by a Tata company. It was arguably also the first time that an Indian company

[48] Tata Metaliks and Tata Tea were suspended from the Global Compact in 2005.

[49] "Corus workers are nervous. The boys were asking if we would have to wear safety turbans now" ("A passage to India for Corus," *The Sunday Times*, 22 October 2006). The general secretary of the steel industry trade unions, Community, later praised publicly Tata Steel for their "first class, modern and progressive operations" and its "modern, clean and extremely well-maintained" mills (Leahy 2007).

[50] "Making It Work," *Businessworld*, 9 October 2006.

[51] "Tata parent seeks to head off barriers to bid for Corus," *Financial Times*, 7 October 2006. In the run-off to the 2008 Presidential campaign, TCS and other Indian BPO firms have also invested in lobbying services, to fight any allegation that outsourcing to their country destroys jobs in the United States. "Lobbying in U.S., Indian Firms Present an American Face," *The New York Times*, 4 September 2007.

became a global leader in its business, in this case the world's second largest manufacturer and distributor of tea.[52] What happens when previously autonomous firms from different countries, each with its own identity, routines and capabilities, come together inside a single multinational corporation (Kristensen and Zeitlin 2004)? Can a cooperative strategy be established that advances the development of the multinational as a whole, or do mutual misunderstandings and the unintended consequences of strategic interaction among the players lead instead to endemic conflict and disintegration?

In their longitudinal case study of the use of acquisitions by Unilever, Jones and Miskell (2007) identify a number of factors that allowed the company to build the world's largest ice cream and tea businesses.[53] They find that complementary rather than related acquisitions add value: Unilever used acquisitions to overcome the market power of established brands and deployed its own research and marketing resources in acquired companies. Unilever was able to integrate acquisitions quite successfully thanks to clear strategic intent and the fact that employee resistance was reduced because most acquisitions were agreed.[54] Finally, Unilever could take a long-term view because of its size, and relative unconcern for shareholder interests before the 1980s.

India is the largest producer of tea in the world with annual production of over 900,000 tonnes, representing over 28% of world production.[55] Set up in 1964 in Kolkata as a joint venture with James Finlay and Company to develop value-added tea,[56] Tata Tea became a fully-owned Tata company in 1983. At the time it was a totally commodity-driven business, selling all its produce in bulk with no direct contact with the consumer.[57] It then owned more than 50 tea estates across India and Sri Lanka, especially in Assam, West Bengal and Kerala, ten tea blending and packaging factories, employed around 59,000 people and was the largest manufacturer of Assam

[52] Tetley is the largest tea company in the United Kingdom and Canada and the second largest in the United States by volume. In fact, even if tea is a beverage that is often associated to India, per capita consumption is much lower than in other large emerging economies such as Russia and China.

[53] The acquisition of T.J. Lipton in the United States from 1936 gave Unilever a profitable tea company, but one confined to North America until 1971. A few attempts to grow a business organically failed. By 1982 Unilever estimated it held 17 per cent of the world black tea market and 34 per cent of the instant, ice and ready to drink tea markets. Two years later rumours of an impending takeover bid finally prompted Unilever to launch a hostile takeover bid for Brooke Bond Liebeg – its first successful hostile acquisition. The post-acquisition integration of Brooke Bond proceeded much faster than that of Lipton Ltd. Unilever had little regard for the acquired management or its technical competences. By 1986 the international tea buying, trading and other activities of Brooke Bond and Lipton were merged into a Central Tea Group reporting directly to the Food and Drinks Co-ordination; Brooke Bond's head office had been moved into Unilever's London head office; and only one former director was still employed. By 1990 Unilever had consolidated its position as the world's largest tea company. It had become the market leader in Britain, with around 28 per cent of the market. While in 1970 tea represented around 1.7 per cent of Unilever's total turnover, by 1990 it had grown to 4 per cent of the total turnover, and 7 per cent of Unilever's total profits.

[54] The Lipton corporate structure was retained in place, even though there was a transfer of some Unilever managers into the company. The Lipton head office was not closed until 1982. Employee resistance was further reduced as Unilever pension schemes were typically better than those of the former firms.

[55] SKP Research, *Tea Sector Update*, 6 January 2007.

[56] Finlay itself had developed from general trade and maritime insurance into an agribusiness conglomerate with interests in jute and sugar manufacturing, cotton mills, and tea estates (Tripathi and Jumani 2007, p. 117).

[57] "The master blender," http://www.tata.com/0_media/features/interviews/200001014tetley_kk.htm. The Indian tea industry is the second largest employer in the country.

tea and the second-largest of Ceylon tea. At that time, Hindustan Lever (HLL) had 70% of the packet tea market. The tea industry in India more generally was suffering under the burden of rising input and labor costs, high taxes, dwindling margins, and rising competition on the world market.[58]

In the 1990s Tata Tea made a number of strategic decisions. To increase market share, it used innovative packaging to position its five brands in India – Tata Tea, Agni, Kanan Devan, Chakra Gold and Gemini – as 'garden fresh' (*taazgi* is Hindi for freshness). This strategy delivered an increase in the share from 2% to 26% of a much larger market.[59] It also correctly read the transformation of the global tea industry and the trend increase in intra-industry trade, with tea being imported from India, re-blended and exported. It hence formed a joint venture in Sri Lanka where Tata plantations produce 11,000 million kg of very fine quality tea.[60] The final component of the new strategy has been the quest for a brand with global appeal. Some tentative efforts were made in the direction of building the Tata name as a global brand, but management soon realised that it was a very expensive and risky proposition which required very large outlays of funds.[61] To overcome the challenge of creating expensive distribution networks, management also preferred to leverage distribution either created by a partner, a joint venture or an alliance. So it became clear that the most effective option was growth through the inorganic route.

Chattopadhyay and Lege (2005) note that "tea is heavily rooted in local culture and its functional attributes and taste parameters are very influenced by it. There would have to be a modification of the blend to ensure levels of appeal for different markets." In fact, there are only two or three global tea brands, with Unilever's Lipton commanding by far the highest market share ahead of Tetley. Established in 1837, Tetley had a reputation for extremely good innovation in packaging – the first company to introduce the tea bag (1953), the first to launch the round tea bag (1989), and the first to sell 'no drip, no mess' drawstring bags (1997). It also had a very special skill in buying teas worldwide, blending and packaging them, as well as extremely good logistics management skills. In 1995, Allied Domecq unexpectedly put its tropical beverage business, including Tetley, up for sale. Tata's bid was passed and the company acquired for £190 million by Karand, a venture capital company, which then put it up for sale again in 1999. This time Tata Sons secured the financial backing of a well-reputed Dutch bank to put together a special purpose vehicle, Tata Tea Great Britain, and protect Tata Tea in India from any possible risk. With a £271 million offer, Tata reportedly outbid the American conglomerate Sara Lee. While the opportunity to buy a brand the likes of Tetley was rare, for Tata Tea, then a Rs. 900 crores company, the sheer size of the transaction could prove unwieldy.

The Indian managers expected to fully realise the benefits of this acquisition within around three years and Tata Tea and Tetley to operate as a fully seamless integrated organisation by 2006. Ken

[58] Towards the end of 1999, the tea business was hit by a drought in much of India. In addition, Russia, once the largest buyer of Indian tea, temporarily withdrew from the market. Finally, control of tea imports was about to be removed.

[59] In 1991, Tata Tea also acquired the majority of Consolidated Coffee to form Tata Coffee.

[60] In 1992-93, it entered into two joint ventures in Sri Lanka and the United Kingdom to form Estate Management Services and Estate Tata Tetley, respectively. In 1995-96,te Lankan JV acquired 51% of Watawala Plantations.

[61] Tata Tea Inc. was established in 1987 to market instant and anti-oxidant teas in the United States. Instant tea products are sourced out of a Kosher & HACCP certified facility in Munnar, Kerala and processed in Florida.

Pringle, Chief Executive Officer of The Tetley Group since March 1999, became a Non-Executive Director of Tata Tea Limited in June 2000. Nonetheless, the process did not advance as smoothly as expected and the associated costs contributed to a 23% slide in profits between 1999 and 2002.[62] In January 2002, Boston Consulting Group was appointed to work out an integration agenda.[63] Two taskforces were created to identify specific areas where integration could be beneficial.[64] Tata Tetley became a subsidiary of Tata Tea in December 2005. There are three main buying bases in London, Kolkata and Mombasa to leverage economies of scale. The Tata Tea and Tetley R&D teams have been integrated, as has been the IT, finance and communication infrastructure in order to fulfil stringent reporting and governance requirements. The refinancing of high-cost Tetley debt in favour of LIBOR-linked rates has resulted in a 1% reduction in the cost of debt.[65]

Currently Tata Tea and Tetley operate in countries accounting for 53% of world packaged tea volume. The existing brands of Tata Tea have been kept in the domestic market, only supplementing them with Tetley brands at a slow pace. Positioned in the premium segment, Tetley has been launched in customized flavoured tea bags – lemon, masala, ginger and Earl Grey. A number of previously uncovered geographies including Jammu, Kashmir, and Rajasthan were opened up.[66] Tetley branded flavoured tea bags are now on sale in 150 towns.[67] The attempt is to improve volumes of the brand and take Tetley to the mainstream consumer. HLL, which once had a clear lead with a share of over 50% in packet tea, has over the years witnessed a decline in share to around 19.5% in March 2007.

Conversely, the Tetley brand has been developed overseas, limiting the introduction of some Tata Tea brands in the Middle East and CIS countries. The Tata Tetley brand was eased out from the domestic market so that Tata Tetley could focus on exports.[68] UK sales in 2006 were up 2% and T of Life became the fastest growing iced tea brand.[69] Tetley was also the first mainstream Canadian tea brand to launch an organic range, tapping into the booming domestic market for organic products. Having entered Bangladesh in 2003 and Pakistan in 2004 through joint ventures, Tata has concentrated on growing these markets whilst making preparations for future expansion elsewhere. Pakistan became the 5th largest Tetley market by volume.

In other fast-growing markets, tea is still mostly consumed either loose or in packets, offering global players a long-term opportunity to upgrade them to tea bags. The challenge lies in building

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[62] "Good Morning, America!," *Outlook Business*, 5 October 2006.

[63] Arun Maira, chairman of The Boston Consulting Group in India since 2000, held senior positions at Tata Administrative Services in India and other countries between 1964 and 1989.

[64] "Tata Tea, Tetley integration process to start next month," *Business Line*, 11 January 2002.

[65] "A new brew," *Business India*, 24 October 2005.

[66] Assam orthodox tea is all set to receive the Geographical Indications (GI) exclusivity. A GI stamp identifies a certain product as emanating from the territory of a WTO member or region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin.

[67] In India, the tea bags market currently accounts for a minuscule 1% of the total 700 million kg tea market.

[68] The company's role in the domestic market is now restricted to that of a tea-bag convertor for Tata Tea.

[69] Another Kolkata-based tea company, the Apeejay Surendra group, acquired UK's third-largest brand Typhoo in 2005.

the brand as Tetley is a late entrant and has limited awareness. In this environment acquisition is a vital element of Tata growth strategy. Through its subsidiaries, the company has recently acquired Good Earth Tea in the United States, JEMCA in the Czech Republic, Vitax and Flosana in Poland, and a third of the South African tea company, Joekels Tea Packers. In 2007 Tata Tea inked a US$16 million 70:30 joint venture with Zhejiang Tea Import and Export Company (ZTIEC), the largest green tea exporter of China.

Over time, the group has grown from being a dominant plantation player into a branded international tea business. In line with this change of strategic focus, it divested 16/17 of 25 estates in South India through the newly-formed Kanan/Kannan Devan Hills Plantation Company, which is principally owned by the 12,770 employees.[70] Tata Tea has a 18.2% interest in the new enterprise. Tetley's Australian operations, located at Yara, were shut down and transferred to the export oriented unit in Kochi with the idea that the factory would source tea from across regions, add value and then market the product. Management has expressed its desire to acquire some more tea estates overseas, especially in Africa, to complete Tata's blending portfolio. In fact, while Indian tea consumption has grown by 4.9% for the last five years, domestic production has seen a marginal growth of 1.9%. As it takes around 3-4 years with specific demography to set up a new plantation farm, the scope of increasing the domestic production in the short term gets limited.

In addition, Tata Tea has diversified into other tropical beverages (Eight O'clock Coffee in the United States) and in June 2007 it acquired management control of Mount Everest Mineral Water. It also made a fast foray into the US enhanced water segment.[71] Tata Tea is also entering tea tourism in its estates of Assam and West Bengal through Amalgamated Plantations (APPL), a brand new entity that received the assets of its North Indian Plantation Operations (NIPO).[72] APPL plans to make a foray into alternative farming to become the 'agricultural product solutions provider'.

Tetley is a well-established premium brand in international markets and it would have taken much more effort and much more money to create the same level of awareness for the Tata Tea brand overseas. Six years after the acquisition, Tata Tea has transformed itself from a commodity producer to a global FMCG (Fast Moving Consumer Goods) company, with emphasis on marketing and brand-building. Growth is driven by new segments and new locations, proving the company's ability in integrating new brands in new countries into its portfolio. In fact, the Tata-Tetley amalgamation appears to reinforce Jones and Miskell (2007) insight that acquisitions are successful when they are additive rather than substitutive. The British side looked at the business

[70] As *Tea & Coffee* noted, "For proprietary planters, or those plantation companies that sell primarily in bulk, and own freehold land, estate and factory ownership remains viable. The dissonance appears to be largely in corporate tea companies with a retail presence, where the packet tea business involves branding and marketing, demanding wholly different skills and management processes. A schism develops in the seed to cup model, when plantation activities compete with marketing in claiming corporate resources." See "Fresh Brew in Tea Country," September 2005. HLL also transferred its entire tea plantation business to wholly-owned subsidiaries.

[71] In 2006, Tata Tea, through its indirect UK subsidiary Tata Tea (GB) Investments, and Tata Sons, through its subsidiary Tata Ltd (UK), acquired 30% of the shareholding of Energy Brands in the USA for US $677 million. In May 2007, the participation was sold to The Coca Cola Company for US$1.2 billion.

[72] The majority CITU union has opposed the entire move, fearing that APPL will not be a wholly-owned Tata company and might end up exploiting workers who had toiled for the original company.

completely from the end-market perspective, while the Indians brought forth their complete knowledge of tea as a product.

## Conclusion

Since the opening of the Indian economy in 1991, Tata has been subject to global competition, making it imperative for the group to become competitive in India against the new entrants. To gain scale, reduce their exposure to the cyclicality of India's economy survive and achieve a sustainable competitive position in industries that are globalizing, most Tata companies then looked overseas. Tata's recent experience is an excellent case for analyzing 'accelerated internationalization' (Matthews 2002). As it pertains to a challenger conglomerate from formerly peripheral areas that internationals in order to access resources, the Tata group has been driven by multiple factors, including the need to access new markets (e.g., in BPO services), the opportunity to integrate the value chain (e.g., in steel), and the quest for brand control (e.g., in tea). This 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; and reacted fast to the opening of specific opportunities at given times.

The process of growth, especially when it takes form through international acquisitions, has considerable consequences on the nature of corporations, their internal characteristics, and their relationship with stakeholders. Changes take to time to unravel and loops may originate whereby target companies pass their DNA to the acquirer and modify the latter's basic features. Such transformational dynamics is likely to be more complex in the case of emerging economies' multinationals. On the one hand, these companies may use acquisitions in order to access resources they do not have, rather than to deploy un-imitable ones in the way that is predicted by the standard models of traditional multinationals. On the other hand, for this very reason emerging economies' multinationals are likely to conclude their deals in more developed economies, where firms are not very amenable to adopt management methods and values developed in poorer countries.

Operating across borders and time zones and integrating diverse management teams and corporate governance practices do not seem to have modified the Tata imprinting. Of particular interest is the fact that Tata has not blindly embraced ready-made recipes to face the challenges of multinational management, preferring instead organizational solutions aimed at fostering mutual recognition and knowledge exchange within the multinational conglomerate. A praise for this way of managing the group came from Standard & Poor's, that in December 2006 expressed the view that the "policy to support its companies and the improved financial profile of its entities also enhances the overall financial flexibility of Tata Motors." In the case of VSNL, a strategic link with TCS has given the advantage of offering customers a single partner option that can deliver a combined IT and telecom solution. Another Tata advantage is the fact of being run by a very successful minority, the Parsees, without stirring anger amid the majority of the population (as is tragically common in other countries, see Chua 2002). This gentle approach may distinguish Tata from counterparts that produce much noise in their expansion.

The process of internationalization of large corporations from non-Western countries – be they in some kind of *East* like China, India, or Russia, or in some kind of *South* like Latin America, South

Africa, or Turkey – is more than a passing fashion. Future research will inevitably focus on detailed case studies of key firms, to analyze a broad variety of issues, from management practices and industrial relations, to the organization of R&D function and innovation. Mimicking the trajectory of the history of industrial nations' business, the issue of hybridization – i.e. the process whereby corporate models, far from converging on a single model, take multiple and diverging roads to innovate and become increasingly open to the global economy – will figure prominently in the research agenda. This paper has offered a first modest contribution in this direction, especially in analyzing the time and geographic dimensions of diversification.

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| Tata company | Acquired company | Location | Stake acquired (per cent) | Value | Date |
|---|---|---|---|---|---|
| Indian Hotels | Starwood Group (W Hotel) | Sydney, Australia | 100 | USD29 million | December 2005 |
| | The Pierre | New York, US | Lease of property | USD9 million | July 2005 |
| | Ritz-Carlton | Boston, US | 100 | USD170 million | January 2007 |
| | The Campton Place | San Francisco, US | 100 | USD58 million | April 2007 |
| | Orient-Express Hotels | | 10 | USD211 million | September 2007 |
| Tata Autocomp Systems | Wündsch Weidinger | Germany | | USD9 million | September 2005 |
| Tata Chemicals | Brunner Mond | UK | 63.5 | USD111 million | December 2005 |
| | | | 36.5 | USD64 million | March 2006 |
| | Indo Maroc Phosphore (IMACID) | Morocco | 50 | USD38 million | March 2005 |
| Tata Coffee | Eight ' O Clock Coffee Company | US | 100 | USD220 million | June 2006 |
| Tata Consulting Services | Comicrom | Chile | 100 | USD23 million | November 2005 |
| | Pearl Group | UK | 75 | USD96 million | October 2005 |
| | Financial Network Services | Australia | 100 | USD26 million | October 2005 |
| Tata Industries | Indigene Pharmaceuticals | US | 26<x< 30 | Not disclosed | July 2005 |
| Tata Interactive | Tertia Edusoft Gmbh | Germany | 90 | Not disclosed | January 2006 |
| | Tertia Edusoft AG | Switzerland | 90.38 | | |
| Tata Metaliks | Usha Ispat, Redi Unit | India | 100 | USD25 million | January 2006 |
| Tata Motors | Hispano Carrocera | Spain | 21 | USD16 million | February 2005 |
| | Daewoo Commercial Vehicle Company | Korea | 100 | USD102 million | March 2004 |
| Tata Steel | Millenium Steel | Thailand | 67.11 | USD167 million | April 2006 |
| | NatSteel Asia | Singapore | 100 | USD286 million | February 2005 |

| | | | | | |
|---|---|---|---|---|---|
| | Corus | UK/Netherlands | 22.84 | USD12 billion | April 2007 |
| **Tata Sons through Tata Ltd and Tata Tea through TTGB Investments** | Energy Brands Inc | US | 30 | USD677 million | October 2006 |
| **Tata Tea and Tata Sons** | Tetley Group | UK | 100 | USD434 million | February 2000 |
| **Tata Tea through Tata Tea (GB)** | Good Earth Corporation & FMali Herb Inc | US | 100 | USD31 million | October 2005 |
| | JEMCA | Czech Republic | 100 | USD22 million | May 2006 |
| | Joekels Tea Packers | South Africa | 33.3 | USD2 million | September 2006 |
| **Tata Tech** | INCAT International | UK | 100 | USD90 million | August 2005 |
| **VSNL** | Gemplex | US | Assets and network | Not disclosed | July 2003 |
| | Tyco Global Network | US | 100 | USD130 million | November 2004 |
| | Teleglobe International | US | 100 | USD239 million | July 2005 |

Source: companies