



# IN A FREEWHEELING CONVERSATION WITH FORTUNE INDIA, RATAN TATA TALKS ABOUT THINGS THAT GIVE HIM A HIGH, EVENTS THAT HAVE PULLED HIM DOWN, AND PRETTY MUCH EVERYTHING IN BETWEEN. EDITED EXCERPTS:

## How do you see your achievements in the last decade?

It's difficult to quantify. There have been periods of great satisfaction and some that I wouldn't call a disappointment, but there was a sense of frustration when things did not work out the way we hoped. There's also been a lot of introspection. Take Jaguar Land Rover [JLR] and Corus, our two largest acquisitions. They weren't impulsive buys; they were deeply deliberated within Tata Steel and Tata Motors. In the case of Corus, the cost went up because of the bidding, mixed with our determination that India must win against Brazil.

However, we did not reach our decided cut-off point. In the case of JLR, we believed we got a fair price. But no one

anticipated the economic downturn. The business model we worked on so hard was shattered by the economic scene and we were left with two over-leveraged acquisitions. This was a difficult time, when you were trying to establish yourself, to gain the confidence of the people, and you owned the responsibility of those companies in a new country. With the banking system having vapourised with financial ethics, you might just throw it to the winds. It was a test for Tata Sons, which had to step in and support these companies ... wearing multiple hats. For a time, I felt perhaps I was straining Tata Sons more than necessary. Yet the spirit of the people within the organisation saw us through and, of course, the market did recover, vindicating our earlier decision.

## Is there any event that you'd pick over the last 10 or 20 years that's been the most rewarding for you?

I think both these bidding operations in acquisition terms have been among the most rewarding, but there have been, for example ...

### ... I thought you'd say the launch of the Nano.

I was going to come to that. Not just the launch of the Nano but the whole process ... culminating in the launch. I can't say what was more rewarding—the launch, or seeing it come together. So it's actually the journey, not an instance, that I'd highlight. The reaction the Nano evoked on the day of its launch was emotionally moving for me, not rewarding. I wasn't even trying to reach the people that reacted, so that moment was probably the highest point in my life.

### You would say that?

Yes, I would. You know, to have such a reaction was almost intoxicating. Here's a funny thing—at that time I had scarier things on my mind. I was behind the curtain [at the New Delhi Auto Expo, 2008] and was told to start the car at a particular time. I thought, suppose the car doesn't start? The place was dark, so I wondered whether I'd drive it off the stage instead of parking at the turntable. I had one person lying on the ground with a laser pointer, keeping it flashing until I reached the spot ... I had to switch off the engine before the music stopped so that there was total silence. I'm not used to being on stage with all these cues.

### So you're saying the acquisitions and the Nano have been your most significant achievements?

You're talking about significant for me. But the way I look at it, there have been moments which have been significant for the entire organisation, like the way it reacted to the terrorist

attack [Mumbai, Nov. 26, 2008]. To me, that's a high point ... But the pride one felt! It's similar with the Nano. The reason I had the team get out and get recognised [at the auto show] was because they did the job. I didn't. There have been plenty of such moments.

**When you took over in 1991, did you expect the group to grow to the size it is today?**

Yes! Actually, not quite the way it happened, but in the first or second year that I was chairman, I set out a goal ... that we'd be a Rs 1 lakh crore group by this date. But every time we had a success, we had a recession that preceded it. So we achieved it maybe two or three years later. But the reaction to that first goal was: 'It can't happen. It's too ambitious. How are you going to do it?' It was very different some years later when I set goals, because the group had come to think, 'Yes, this can be done'. A few years earlier, Tata Steel and Tata Motors would have balked at any move to acquire a company overseas.

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**What has been your biggest learning in all this?**

I have to say with humility that my biggest learning was from a study I undertook on how India and China were different. What made them more competitive than us? One thing that hit me in the face is that they set their sights very high for everything they did, to the extent that in each case one thought China was absurd to be doing it. This led me to change not just my mindset, but that of the whole group [which was] to do things in small increments. It was more prudent, and you could digest it better. The Chinese model aimed to be the biggest. You want an airport? Plan for 10 years, even though it looks like overkill. Somewhere in that, I learnt to think big and be bold, and not just succumb to the safest thing to do. Don't be a follower, don't just do what you know is okay, be ready to break new ground.

**Did little eureka moments drive the grassroots innovation that you spearheaded or was the thought always at the back of your mind?**

No, they were not in the back of my mind for a long time. But I've always been trying to find solutions. I guess it was what drove me to architecture. I'm sort of an idiot inventor. It's also partly about being a left-hander. There are so many products designed for right-handed people that one always felt disadvantaged. For instance, you can't cut paper with your left hand; you can't use the scissors, so it always leads you to ask why you can't do it another way.

**Did similar thinking drive the Indica?**

Absolutely. At that time, things were different. Everybody said India couldn't produce its own car; it couldn't produce one for this price. And I thought: 'Today, the most suitable car for India is the Ambassador. It's comfortable, the right size, and high enough to make getting in and out easier. So could we not design a car that had the internal dimensions of an Amby, with modern packaging, that would run on diesel to be economical, and cost as much as a Maruti?' Again it was just a set of goals ... and we achieved them.

**So what happens when you have these thoughts? Who do you bounce them off? What does RNT, the manager, do, as opposed to Ratan Tata, chairman, Tata Sons?**

Yes, I bounce them; more often than not, they bounce right back. On the Nano, for example, I had and still have the view that we should have satellite manufacturing companies. [Tata Motors had plans to get the 'people's car' assembled locally.] We'd create a low-cost assembly plant which we'd sell as a kit. Then we'd take on young entrepreneurs. We'd train their people and look after quality assurance while they'd



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manufacture the product for us and be our dealers in that area. We haven’t come there as yet, so that’s another leg.

**But you are still following the same thing?**

Yes. The considered view is that it cannot be done. There’s no reason why it cannot be done, and somewhere down the line it will be done. We have to establish scale first. Then, once again, we’d have broken new ground—we’d have created new jobs, skills, and some new successful entrepreneurs. If we’re to make a million cars a year ... we’d have made a contribution to the employment level in the country.

**Two reasons why you think this can be done?**

I’ve thought enough about the low-cost plant, and there are technical issues about how we ship the kits—we have to ship them painted rather than unpainted. That will save a lot of money in these plants. But if there’s an output plant with low enough costs that breaks even, there’s no reason why it can’t be done. All the high volume or high capex units we will ship. So, in effect, the entrepreneur becomes no different from the operation we have in Sudan or Malaysia to assemble our vehicles.

**How have you evolved as a manager? What do you do better today than 10 years ago?**

I think luck and confidence have a lot to do with how you evolve. You become more confident in yourself, and are willing to stay with something to make it work, rather than

backing off. Then there’s the experience you gain. I’ll never be J.R.D. [Tata]. I remember our frustration as younger officers. We’d have what we thought was a great idea, we’d talk among ourselves, then come into this room. In two minutes he’d ask questions that made you realise you hadn’t thought about some aspects, or that you were wrong in your assumptions. And you’d come out of there frustrated and say, ‘How the hell did he do that?’ I’d never be able to do that to the extent he did, but I’m on the same journey, where you find people asking me the same question: ‘How did you do this?’

**Was getting Tata Motors out of the slump of the late 1990s and early 2000s one such phase that boosted your confidence?**

No, because I’ve another point of view. Back then, the market shrank by 40% but bankers and the rest looked at it as a failure of Tata Motors despite my explaining that we had shrunk along with the market, that we did not lose market share to anybody. What we needed was to find a way to exist through this period and re-establish ourselves. That’s exactly what happened. As soon as market conditions changed, we rebounded. That’s why the recovery was almost startling. Of course, we took other measures as well, including taking costs out of business, becoming a leaner company, and reducing our breakeven point. Had we not done that, the loss would probably have been greater than the Rs 500 crore we posted back then. Exactly the same thing happened in JLR recently. The price of gas went up in the U.S.; SUV sales fell.

As soon as the market rebounded, so did we. With new products coming out of JLR, sales today are 40% higher than last year. It's not magic; it's the market.

**When you took over as chairman, the corporate environment was different. What was the turning point?**

In a few years, I had eminent people on the board who shared the view that there should be a status quo for the most part. It was difficult to usher in any change because I had great opposition. I've always felt the battle took five of the best years of my chairmanship away, because I spent a disproportionate amount of time either trying to convince them or fight them. Finally, when they were gone, I was in the driver's seat. It was like trying to navigate a street in a busy bazaar, compared to driving on the highway.

**You've repeatedly reinvented a group that's over 100 years old. In the next decade, what will it need to do to stay relevant?**

I didn't do anything. I came in and brought the concept of retirement age into play. People who were at one stage eminent and relevant had become part of the problem. They didn't have the energy levels to run the businesses, which themselves were changing. So we had people who ran businesses without leaving their office. They didn't know what the marketplace was like, and were listening to people who may not have been telling them the true story.

Creating a retirement age brought in new people and enabled more empowerment within the organisation. We created a more accessible organisation, where people could talk to each other. I've even had situations where other people—never me—have been upset about somebody letting go at me during a meeting. It never bothered me, but in the old days, that person would not be in office the next day. So there was a change.

The reason I said I've done nothing is that it's the spirit of this organisation. It's exceedingly important for people to feel there's someone to stand with them, someone who's not

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going to take the soft option. About 15 days after I took over, we had the Rajan Nair issue at Tata Motors [then Telco], and I spent a lot of time in the Pune plant. I asked the people there whether we should fight, and their answer was, 'Are you going to stand with us, or will you give in when things get really tough?' I said, 'I'll stand with you and we'll see this through together.'

I often ask Prakash Telang [now head of Tata Motors' Indian operations] and others if they remember that day and they say yes. Because [till then] every time things got bad they'd [the company] give in. They gave in to the union when it got tough. First, they'd tell us to stand behind them, then they'd back down. But [now] when we take a stand, we stand with them [the employees]. Be it the Tata Tea thing in Assam, Rajan Nair, or the mess that's going on in the media, we will stand by our position and our individuals.

**How difficult have the past couple of months been, with your name being dragged into the media circus?**

It's difficult, but more than that, it's hurtful. My issue is: What are we doing as a country? We're convicting people, alleging things, almost sentencing them before they're proven guilty, and without any proof—just on the basis of hearsay and phone conversations. Every person has the right to be innocent until proven guilty. And no one is willing or has the courage to say they were wrong.

**So you were upset on both counts—that the conversations were tapped and that they were published?**

In my case in the Supreme Court, I'm saying that people are authorised to have surveillance on certain people for national security or otherwise, and they're welcome to do that. But that doesn't give them the right to make those tapes available so they can sensationalise it on news channels before these people are proven guilty. That's an invasion of privacy. If you have to prosecute, you prosecute; that's your business. In the U.S., the NSA and the FBI do not hand out those conversations so that a mayor talking to his mistress has his marital problems aired. That's like what you expect in some little republic.

**Why did you never enter some of the big growth sectors in India, such as petrochemicals and health care?**

Petrochemicals was before my time. By the time I came in, it was too big an area to enter, too monopolised by Reliance in the private sector. As for health care, we have this debate even today. I've always been scared of a situation where some high-profile person receives mistaken treatment, which then becomes an issue.

**What is on your to-complete list before you exit the stage?**

I don't have a plan for completion. If you had asked me when I took over about my plans for the next three years, I wouldn't have an answer. I didn't come in with a pre-determined plan.

**Not even the 1981 Tata Industries ...**

That was different. That was a plan telling us we should have a strategic view of our businesses. It wasn't a plan for what one should do. It advocated that we go into high technology, get rid of some businesses that made no strategic sense, and get into certain businesses. It talked of Telco [now Tata Motors] getting into light trucks ... and later they did. So that's different. I don't have a plan for completion, but I hope that when I exit, the companies are on the upside and not in another recession ... That's a bad time to leave.

**Leave somebody else with the job, as it were?**

Yes. For instance, I've never understood why the minister resigns when there's a railway or plane accident. I mean, that's when you need leadership. You can resign after its over but you [need to] provide leadership, and the continuity to hold everything together. Some may say you're leaving when the ship is sinking, and some may say it's sinking because of you. Whatever that is, it's not the time to leave. The time to leave is when the company and group are in a good condition.

**When you took over, it was a bit like that, right?**

That's right. More than what I want to complete, I hope that when I leave, the companies are in a state where we've retained the value systems. If ethics are not compromised in any way, then I'd have protected what I consider the greatest differentiator of our group from others.

**Do you think it's becoming more difficult to manage conflicting things like corporate bottom lines, shareholders' interests and the environment?**

They're not contradictory ... There are times when the promoters have lost more than shareholders. If there's a decision to be made, you're saying this will be viewed as an opportunity for us. So we give it up and let it lie somewhere else. These are marginal losses; I think the long-term gains are much greater. But there have been times when there's a bit of a judgement call as to who gets the short end of the stick, and quite often it's Tata Sons.

**Finding your successor is one of the biggest stories in the country today. What are you looking for? You're not looking for a mirror image of yourself, are you?**

**“ My dream has always been to get away from fossil fuels and run cars on hydrogen ... It's known that it can be done, but no one has been able to do it without an enormous amount of energy.”**

No, I don't think that's how one should look at it ... The one trait that's the most difficult to judge—I'd like to have someone who will protect the group's ethics and value systems.

**Why do you say that it will be difficult?**

I said it will be difficult to judge, since everybody would say they would.

**What else will you be looking at?**

We're looking for an entrepreneur who will take the company to new heights.

**In a previous interview, you mentioned wanting a successor who has at least 20 years of active life ahead.**

We may not be able to do that. Ideally, it should be somebody who is not over 50; perhaps in the mid-forties.

**You have always drawn a distinction between globalisation and internationalisation. Is it still the latter?**

I think globalisation is a little pompous, because it means you're on every continent, like Coca-Cola. We're not yet present on some continents, or our presence is minuscule. So I don't think we should use that term.

**Two years hence, you may have much more time on your hands. Will you turn to public affairs then—politics or interacting with youth across India?**

Certainly not politics. Of late, I've been enamoured by the idea of interacting with youth—students, young employees, etc. It's invigorating to be in the presence of younger minds. I've never faced a generation gap with them. I share their enthusiasm and aspirations for the new India.

**What is the one thing you'd like to be remembered for?**

I don't know. Off the top of my head, I'd like to be remembered as a clean businessman who has not partaken in any twists and turns beneath the surface, and one who has been reasonably successful. Power has not been an issue; in fact, power and wealth are not two of my main stakes. When

*Forbes* put me on the billionaire list some time ago, I wrote to them and said, 'You're attributing the companies' value to me and that's not correct, so please take my name off.'

**Your senior managers say you are forever going to universities and soaking up information.**

I had never done enough of that, but recently, it's been a whole new life. For example, at the MIT labs, I stumbled upon a catalyst to split water. We've invested about 20% in the MIT-based company doing this work, Sun Catalytic.

My dream has always been to get away from fossil fuels and run cars on hydrogen. You fill your tank with water, which is then split into hydrogen and oxygen. The hydrogen is injected into the engine and the oxygen is released into the air. It's known that it can be done, but no one has been able to do it without an enormous amount of energy. This brings you closer to that kind of solution.

**What's the best advice you've ever got, and who gave it?**

I can't pick a single piece of advice, but if I were to name a person who has constantly given me advice, it would be J.R.D. Tata. I became quite close to him in the last five to seven years of his life. I absorbed what he stood for, his reactions to various things. I owe an enormous amount to those chats, and not all of them dealt with business.

**Do you think you could do that with your successor?**

I hope so. If that person were interested.

**By when will the world know who steps into your shoes?**

The committee says they will have a shortlist early this year.

**First quarter or middle of the year?**

I don't really know, you should speak to them. Then, if it's an insider, the person would come on board, and we could work together for a while. If it's an outsider, it would take a longer period for him or her to disengage from wherever they are.

**Do you have veto power on the trust?**

No.

**So whoever they choose, you will choose as well.**

They have representatives from the trust and Tata Sons.

**No, I mean do you have veto power on the final choice?**

No.

**So you would go with what the committee says?**

Yes. If I don't like it, I will leave early. ■