Trust Ownership of the Tata Group[1][2]

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Overview

The Indian Tata Group is one of the largest and most admired business groups in the world. It has 28 listed subsidiaries and more than 80 operating businesses. It has shown strong financial performance and social responsibility for decades. Interestingly, it has a unique ownership structure: the main holding company Tata Sons Limited is majority-owned by charitable trusts. We examine the governance of this remarkable entity. The Trusts own 66% of Tata Sons, the main holding company of the Group,, while members of the founding Tata family are very small minority shareholders. The governance structure is characterized by managerial distance between trusts and Group companies. The Trusts are almost exclusively concerned with philanthropy, and according to the Articles of Association of Tata Sons Limited, their governance role is limited to nominating two members to the Selection Committee which recommends the Chairman of the company's Board of Directors. Group companies are independently managed, but there are significant cross shareholdings and a member of the founding family, Mr Ratan Tata, chairs the Trusts, holding companies and major subsidiaries. Mr. Cyrus P Mistry, Managing Director of the Shapoorji Pallonji Group, a minority shareholder in Tata Sons, is to succeed Mr. Ratan Tata as chairman of Tata Sons in 2012. Trustees in the major Trusts are paid nominal fees of as little as $10 and $20 a year.

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Introduction

Since Adam Smith (1776) economists have emphasized the importance of monetary incentives for economic efficiency. The economic theory of the firm emphasizes that firms are profit maximizing entities because they are owned by private individuals who are interested in dividends or (if they are listed) in higher stock prices.

However, not all companies have owners with a profit motive. Non-profit enterprises, for example, such as hospitals or universities, do not have this incentive mechanism (Hansmann 1996). This does not mean that they cannot make profits or even that they do not value profits, but rather that they do not distribute profits to owners. Many would say that such entities belong in the sphere of social or charitable activity, but are unsuitable for business activity. Indeed the prediction would be that they are not competitive in business precisely because they lack the profit motive (Fama and Jensen, 1983).

However, as it turns out, a number of business enterprises around the world contradict this prediction. Industrial foundations are non-profit entities (foundations or trusts) which own business companies (Thomsen 1995). This ownership structure is not unusual in Northern European countries like Denmark, Germany, The Netherlands or Sweden (Thomsen 1999). Quite a few world class companies are owned in this way – for example the Wallenberg Group in Sweden, Robert Bosch in Germany or A. P. Møller Maersk in Denmark. This paper is a case study of the governance of one such entity, the Indian Tata Group, which operates in a completely different institutional setting.

Theory

Trust or foundation-owned companies are a puzzle to economic theories of the firm because they lack profit-seeking owners and because they cannot fully diversify risk. Agency theory would thus predict that they should underperform (Fama and Jensen, 1983). However, previous research has found that foundation-owned companies do well compared to investor- or family-owned companies in terms of profitability, growth, stock market valuation, share price appreciation and other performance measures (Thomsen 1995, 1999, Hermann and Franke 2002, Thomsen and Rose 2004, Dzansi 2011). Apparently, there may in some cases be advantages to the foundation structure which outweigh the disadvantages identified in agency theory.

The theory of commercial non-profits (Hansmann 1980, Glaeser and Shleifer 2001) proposes that firms may in some cases benefit from attenuated profit seeking. For example, whereas a profit-maximizing company may be tempted to cut costs by offering lower quality products to uninformed buyers, non-profit enterprises will be less tempted to do so precisely because they do not have the same profit motive. According to this reasoning non-profits or trust-owned enterprises could have a competitive advantage because customers would prefer to trade with them. The logic can be generalized to other stakeholder relationships characterized by information asymmetry. Employees might prefer to work for trust-owned companies, particularly in knowledge-intensive businesses, because they are less likely to breach implicit contracts. Banks might prefer to lend to them, because they are perceived as less opportunistic. Governments may be more likely to trust them. In short we would expect greater corporate social responsibility in foundation-owned firms. In some cases greater social responsibility may be associated with greater competitiveness which could outweigh potentially negative effects of dulled incentives and concentrated risk.[4]

However, in the absence of external ownership pressure, there is an obvious risk that any potential advantages to the trust structure will be dissipated if trusts and companies are captured by entrenched managers (Glaeser, 2002). Hansmann and Thomsen (2010) therefore propose that a certain "managerial distance" between trusts and companies is necessary for good performance in trust-owned companies. For example if there is complete overlap between trust and company boards efficient monitoring is unlikely, since board members will be monitoring themselves. Full separation (maximal distance) may not be optimal either since there can be information-advantages to some interlock. Hansmann and Thomsen consider various distance measures and find that foundation-owned companies do better if:

1. There is some, but limited overlap between the foundation and company boards
2. The foundation-owned companies are publicly listed
3. The foundations have a general charitable aim (beyond running a company)
4. The foundations own a majority of more than one company
5. Foundations and the companies are physically separate (have different addresses).

This case study examines the governance of the Tata Group. Compared to previous studies of Northern European companies our case study of the Tata group is a "very out sample test" of the generality of previous research which has been done in a very different institutional environment. We are therefore interested in assessing to what extent the financial performance of the Tata group is attributable to its unique governance structure. Secondly, we are interested in how the Tata Trusts govern Tata and whether the managerial distance between the Trusts and the Tata Group is comparable to what was observed in previous research.

The Tata Group

The Tata Group was founded by the Parsi Tata family in 1868. It started in textiles (1874), but diversified into steel (1902), power (1910), cement (1912), soap (1917), printing and publishing (1931), aviation (1932), chemicals (1939), consumer electronics (1940), commercial vehicles and locomotives (1945), cosmetics (1952), air conditioning (1954), pharmaceuticals (1958), tea and coffee (1962), information technology (1968), financial services (1984), auto components (1993), telecommunications (1994), passenger cars (1998), retailing (1999) and insurance (2001) (Khanna and Palepu, 2005). In many of these businesses the Group is very competitive and the industry leader, but some – like aviation, cosmetics or pharmaceuticals, textiles, printing and publishing - had to be exited because of nationalization or business conditions. The Group has recently shown its entrepreneurial spirit by taking over Jaguar and Land Rover in 2008 and by developing the new inexpensive Nano car intended to be affordable for the general population in India and other emerging economies. Tata Steel has become a world market player by taking over the Dutch-British steel maker Corus in 2007. Tata Consulting is at the heart of the Indian IT Miracle. Tata Tea

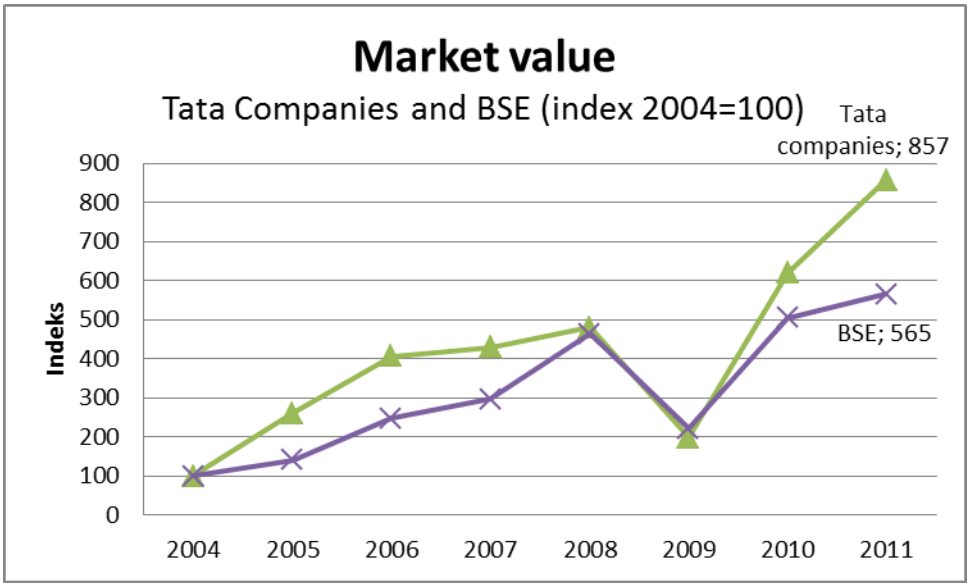
[4] It is also possible that trust-owned firms have a longer time horizon because they face less strong shareholder pressure. Thus trust-owned companies could presumably find it easier to undertake large scale investment projects. However, this would only be the case for well-endowed trusts and companies with a strong equity base whereas difficulties in attracting outside equity could be a serious drawback for cash-starved trust-owned companies.

(now Tata Global Beverages) had already taken over Tetley in 2000. More than half of the Group's revenue is now created outside India, and it is now the biggest industrial employer in the UK[5].

According to the Group's website total sales of the Tata Group companies were $83.3 billion in 2010 and it now employs more than 425.000 people worldwide. The Group's stock market value - measured by the combined market value of its companies – exceeded $100 billion in July 2011 making it the largest in India. The largest business units measured by employment and market capitalization are IT (Tata Consulting Services), materials (Tata Steel) and engineering (Tata Motors).

Performance

Tata's economic and social performance is considered outstanding. Given its size and complexity it is difficult to produce precise figures over a longer period of time. However in the figure below we show the evolution of the combined value of its many listed subsidiaries since 2004 comparing to the combined market capitalization of Bombay Stock Exchange (index 2004=100).



Source: Tata Financial Highlight 2011, Tata Group Website.

As the figure shows, the Group's combined market value has increased by 520% since 2004, while the market capitalization of BSE has increased by "only" 406%. The Tata Group shows greater volatility than the overall market which is partly a function of the law of large numbers (31 listed Tata companies vs. 5000 on BSE). Another explanation could be crossholdings, which automatically increase the value of other companies when the price of once company increases and vice versa when share price decline. However, according to Group estimates the approximate market value of cross holdings has been reduced to around Rs 14,000 crore or just 4% of a total market capitalization of Rs 360,000 crore. Thus, the impact of shareholdings on share price volatility may not be significant.

[5] The Economist 10. September 2011.

In addition to their longevity, growth and financial performance, both the Trusts and the Group are highly active in philanthropy in education, health, economic development, arts and culture, natural resource management and other areas. The Trusts have made a special effort in "institution building", establishing and supporting institutions like hospitals, universities and research institutions. Over the years the Trusts have changed from passive charity (donations) to philanthropy, i.e. more proactive and operational activities.

Below we provide a snapshot of the combined CSR activity of the Tata Group in 2009-2011.

Tata Philanthropic expenditure 2009-2011 (US $ mill)

	2009-2010	2010-2011
Sir Dorabji Tata Trust	19.1	28.6
Allied Trusts	47.1	44.5
Sir Ratan Tata Trust	19.2	15.8
Navajbai Ratan Tata Trust	19.4	21.2
Group Social Welfare and Environment-Related Projects	55.3	60.0
Total	160.1	170.1

Source: Annual Reports of the Trusts, Group communications and Tata Financial Highlights 2011.

As shown, the Tata Group and the Trusts combined donated some $170 million to philanthropic activities in and outside India in 2010-2011 up from $160 million in 2009-2010. For more than 100 years Tata has thus made a significant contribution to India's development. As a consequence of the Group's growth, the disbursements have been particularly large in the past decade (which accounts for 88% of all disbursements since 1891). Large as the philanthropic contribution is, it constitutes only a small fraction of the Group's market value (0.2 %) or sales (0.3%). Thus Tata's largest social contribution may be more in the business of creating thousands of jobs and billions of shareholder value. However the Group's philanthropic contribution as a percentage of profits is larger - tantamount to, in most years, between 3-6% of the aggregated net profits of the Tata companies. Even in 2010-11, when Group profits were high, $ 170m represented 3% of the aggregate net profits of the companies. Arguably, share of profit is a better comparison point, since profits must be paid out of income and not sales or market value. The Tata Group is second to none in CSR.

Code of Conduct

The Tata Sphere (i.e. the Trusts and the Group) are governed by a code of conduct, which is taken very seriously and rigorously enforced. The code specifies for example that Tata companies must benefit the countries and communities in which they operate, support competitive open markets, provide equal opportunities to all employees, strictly avoid corruption and maintain political alignment, supply goods and services of world class quality and be committed to shareholder value.

Tata is particularly well known for its zero tolerance policies on corruption. Group executives accept that this strong stance may occasionally slow down its growth because it may be more difficult to obtain the necessary permissions, licenses and other government sanctions to operate particular businesses. However, the deeply held view is that it is worth paying this price, and that zero tolerance is in fact better for business in the long run. Once a company starts paying bribes, the argument goes, there is no ending them again.

The game theoretic logic is similar to making a credible commitment not to negotiate with hostage-taking terrorists (Schelling, 1960). If the terrorists know for certain that their demands will not be met, they will not take hostages. In the same way a credible commitment not to pay up, will lower the probability that a company is subject to rent seeking. Officials in the Tata sphere understand and accept this logic.

Many companies and governments draw a distinction between corruption defined as obtaining illegal benefits by rent seeking and "facilitation payments" defined as obtaining legal benefits (to which a company is rightfully entitled, but which are being withheld)[6]. The understanding is that facilitation payments may be acceptable to protect the company's interests. The Tata group does not recognize this distinction. The policy is strictly zero tolerance.

The Group's high moral standards have contributed to a strong brand among consumers, government officials, politicians and potential employees. Contemporary upheavals over corruption in Indian politics have further supported Tata's stance.

Trust ownership

As mentioned, a majority (some 66% as of 6. September 2011) of the stock of Tata Sons, the main holding company of the Group, is held by philanthropic trusts. Contrary to popular perception Tata is therefore not family-, but trust-owned. However, Tata family members continue to hold small minority positions in Tata Sons (We provide a breakdown based on the latest publicly available figures in the Appendix). Moreover, the Tata family is strongly represented in the Group through the many chairmanships of Mr Ratan Tata. Some Tata Trusts also hold shares in Tata subsidiaries such as Tata Consulting. However, these shareholdings are small and do not materially affect their overall share of the Group.

The biggest of the Trusts are the Sir Ratan Tata Trust and the Sir Dorabji Tata Trust. While the Trusts have different philanthropic goals, the Sir Dorabji Tata Trust and allied Trusts[7] are centrally managed at Tata Group headquarters in Bombay House, Mumbai. Though also managed at Bombay House the Sir Ratan Tata Trust and the Navajbai Ratan Tata Trust have their own, separate administration.

According to Indian law, 85% of the income of the Trusts is distributed to charity and 15% is saved. As of 2012 it is expected that a more restrictive tax law will make it mandatory for charitable trusts to spend all income within 3 years. Moreover, Indian Trust law stipulates that trusts must invest their savings

[6] For example, according to the US Foreign Corrupt Practices Act (FCPA) facilitation payments to speed up "routine governmental action" are not considered corruption.
[7] The "allied" trusts include: JN Tata Endowment for the Higher Education of Indians, Lady Tata Memorial Trust, JRD Tata Trust, RD Tata Trust, Tata Education Trust, Tata Social Welfare Trust and JRD and Thelma J Tata Trusts.

conservatively in government bonds and/or government-approved safe securities such as bank stocks. They cannot be reinvested in the Tata Group or its companies.

The constitution of the Tata Trusts (and all other trusts) is given by the Trust Deeds which specify for example that the trusts are irrevocable and what objectives they must serve (for example what causes they should support and how they should go about it). "Irrevocable" means that the trusts cannot be dissolved by the founders or their descendants and that grants to the thrusts cannot be recalled. These assets now belong to the trusts, and as far as their income allows it, the trusts will continue to serve their charitable purpose in perpetuity.

The Tata Trust deeds oblige the Trusts to use their income for charitable purposes. For example, in the case of the Sir Dorabji Tata Trust the income and endowment of the Trusts must be used at the discretion of the Trustees for schools, educational institutions, hospitals, relief of natural disasters, research related to medicine and industry, and the Indian Institute of Science in Bangalore. The Trust Deed also specifies that the Trust must work without any distinction of place, nationality or creed. So far the Trust has concentrated on India, but this may change in future years, as India develops.

The Sir Ratan Tata Trust is governed by a Trust Deed originating in the will of the founder which obligates it to support the broad goal of public charity in *"education, learning and industry in all their branches*".

Since there are no term or age limits in the Trust Deeds, Trustees were historically appointed until they chose to retire, but future Trustees will serve for 3 year terms.

Regulation

The Tata Trusts are subject to quite strict regulation by Bombay Trust Act and the Charity Commissioner of Maharashtra[8], to whom they submit their annual accounts. The Charity Commissioner checks in great detail whether the activities of the Trust are in accordance with Indian Trust Law. The Charity Commissioner will for example supervise whether the expenditures of the Trusts serve their charitable purposes, whether Trust funds are sufficiently prudently invested, how Trustees are paid and so on. Trust supervision is a state matter in India, and states differ with regard to the quality of supervision, but the Charity Commissioner of Maharashtra (Mumbai) is regarded as being a particularly vigilant regulator.

The Bombay Trust Act does not recognize the term "foundation", but the irrevocability of the Tata Trusts makes them formally similar to European "industrial foundations" (foundations which own business companies). However, unlike in many European jurisdictions (Kronke 1988), owning a company is not regarded as a legitimate charitable goal in Indian trust law. Formally, therefore, securing control of one of the world's largest and most responsible companies is not a goal of the Tata Trusts. Moreover, while European regulators will often recognize "permutation", i.e. a change of the foundation charter, when this can be interpreted as being in accordance with the founder's intentions, changes to Indian trust deeds must be taken to courts, which will only rarely allow them.

[8] See http://charity.mah.nic.in/static_pages/aboutus.php.

Governance Structures

In the figure below we provide a sketch of the ownership and board structures of the Tata Group 2011.

Sir Dorabji Tata Trust

Board of Trustees
Mr R. N. Tata, Chairman
Mr N.A. Soonawala , Tata, Former CFO, Tata Sons
Dr Amrita Patel, National Dairy Development Board
Ms Deanna Jejeebhoy , Former advisor to the Ratan Tata Trust
Mr Krishna Kumar, Tata, Formerly Tata Tea
Mr A. N. Singh Managing Trustee, formerly Tata Steel
Prof. M. S. Valiathan, a doctor.
Mr V. R. Mehta, a businessman, a former board member of Tata Motors

Sir Ratan Tata Trust

Board of Trustees
Mr R. N. Tata, Chairman
Mr N.A. Soonawala, Tata, Former CFO, Tata Sons
Mr Krishna Kumar, Tata, Formerly Tata Tea
Mr Keki Dadiseth, Formerly Hindustan Lever
Ms Shirin K Bharucha, a former Tata lawyer
Mr Jimmy Tata, Tata family member, formerly Tata Electric Company.

Tata Sons

Board of Directors
R. N. Tata, chairman
Farrokh K Kavarana, Tata, formerly Tata Motors
R Gopalakrishna, formerly Hindustan Lever
Ishaat Hussain – Tata, CFO, Tata Sons
RK Krishna Kumar, Tata, Formerly Tata Tea
Arunkumar Gandhi, former executive, Tata Sons
Cyrus Pallonji Misty – a large minority shareholder

Tata Industries

Board of Directors
R. N Tata, Chairman
Farrokh K Kavarana, Tata, Formerly Tata Motors
Ishaat Hussain, Tata, CFO, Tata Sons
RK Krishna Kumar, Tata, Formerly Tata Tea
Kishor A Chaukar, Tata, Managing Director, Tata Industries
S Ramadorai, Tata, Tata Consulting Services
B Muthuraman, Tata, Tata Steel
Prasad R Menon, Tata, Formerly Tata Power
Ravi Kant, Tata, Tata Motors
KRS Jamwal, Executive Director, Tata Industries

Tata Group Companies

* Tata Consultancy Services
* Tata Motors
* Tata Steel
* Taj Hotels
* Tata Power
* Tata Global Beverages
* etc
* etc

>80 operating companies Worldwide
28 publicly listed

We focus on the two major Trusts, since they are the main shareholders of Tata Sons, the main holding company.

In accordance with its Trust Deed, the **Sir Dorabji Tata Trust** has 7 Trustees with Mr Ratan Tata as chairman. Two other Trustees Mr Soonawala and Mr Krishna Kumar also have a clear affiliation to the Tata Groups as former executives and board members. Ms Deanna Jejeebhoy (a member of the Tata family) has worked for the Sir Ratan Tata Trust, but not for several years before she was appointed to the Sir Dorabji Tata Trust board. Mr Mehta is a former member of the Tata Motors board (and its audit committee), but has no other Group affiliation. Prof. M. S. Valiathan (an eminent doctor) and Dr. Amrita Patel (a specialist in agricultural development and cooperatives) are clearly outside (non Tata) directors:

In the **Sir Ratan Tata Trust**, the Board of Trustees consists of 6 members: Mr Tata (chairman), Mr Soonawala and Mr Krishna Kumar, who have a clear Tata affiliation. Ms. Shirin K. Bharucha, a lawyer who has worked for Tata for many years. Mr Jimmy Tata is a Tata family member and former Tata employee. However, Mr Keki Dadiseth, formerly Hindustan Lever, is an outside executive director with no other Tata affiliations.

There is a 2/7 = 28% overlap between the Trust boards and the board of the Group holding company, **Tata Sons**. The chairman Mr Ratan Tata and former Tata Executive Krishna Kumar are active on all 3 boards. 3 more Tata Sons board members (Farrokh K Kavarana, the finance director, Ishaat Hussain and Arunkumar Gandhi) have several other past and present ties to Tata. Mr Cyrus Pallonji Misty (a large minority shareholder) and R Gopalakrishnan (a professional manager, formerly of Hindustan Lever) may be regarded as outside (e.g. non-Tata) directors.

The same two Trustees of the Sir Dorabji Tata Trust and the Sir Ratan Tata Trust - Mr Tata and Mr Kumar - are also board members in **Tata Industries** which is a 50.5%-owned subsidiary of Tata Sons and itself a holding company for many Tata companies (many of which are also minority shareholders in it). This implies a 2/10=20% overlap between the Trusts and company boards since there are 10 board members in Tata Industries. All Tata Industry board members are past or present Tata executives.

Altogether, the Trusts are characterized by significant, but limited representation by the Tata family, but strong representation by trusted Tata officials including present or former Tata executives and directors. There is some, but limited board overlap between the Trusts and the boards of the Group holding companies.

Tata Sons' ownership of the Tata companies varies by company. According to the latest public figures it currently holds some 26% of Tata Motors and 28% of Tata Steel[9], but 74% of Tata Consulting Services. There are also significant cross holdings between Tata companies, for example Tata companies hold some 12% of Tata Sons, and Tata Steel holds 8% of Tata Motors. This increases Group control (and indirectly trust control) of the Tata companies. Over the past two decades the Group has increased its shareholdings in many Tata companies while exiting others so that the number of Group companies has decreased.

[9] http://www.moneycontrol.com/news/news/tata-sons-consolidates-staketata-motors-tata-steel_582942.html.

The Tata Group (and indirectly the Tata Trusts) is typically represented on the boards of major Tata companies, often with Ratan Tata as chairman and some senior Group executives co-represented. This is the case in Tata Motors (2), Tata Steel (3), Tata Power (2), Tata Chemicals (2), Tata Global Beverages (4), Indian Hotels (4)). We provide an overview in appendix 2. In other companies (e.g. Tata Communications, Tata Elxsi, Rallis), there is just one representative from one of the promoter company boards. Along with Mr. Noel Tata, Mr. Ishaat Hussain sits on the board of Voltas (as Chairman), and Mr. Bhaskar Bhat (Titan MD) sits on the board of Trent.

Governance Practice

The Trusts appear not to act as active owners in the Group except by nominating directors to the board of Tata Sons. However, Mr Tata himself embodies active ownership by his active participation in Group companies. As shareholders the Trusts are necessarily involved in nominating directors and certain other decisions, but their main activity is clearly philanthropy. Through the representation of Mr Tata, Mr Kumar, Mr Soonawala and other Trustees in Group companies, the Trusts are connected to Tata Group companies (and vice versa), but board members and Trustees have distinct roles as philanthropists and managers.

In fact, the Tata Group actively maintains Chinese walls between business and philanthropy in order to avoid conflicts of interests, for example to secure that the tax exempted income of the Trusts is not used to further the interest of business companies. Conflicts of interests could also arise if Group companies were asked by the Trusts to serve social goals which profit seeking minority shareholders might not agree to.

This does not preclude that companies can do well by doing good, i.e. that corporate social responsibility may enhance long run profitability and shareholder value. In fact the Tata companies are a prime example of this, but business related social activities are relegated to the individual Tata companies. Nor do the Chinese walls altogether rule out cooperation between the Tata Trusts and the Tata companies, which on some occasions have openly joined forces to fund philanthropic initiatives in the interest of both parties.

Incentives. Though they own a large business empire, the Trusts are not motivated by economic incentives. On the contrary, in accordance with the Trust Deed, Trustees in the Sir Dorabji Tata Trust are paid a flat rate annual fee of 1000 RP (around 20 US $) a year. Trustees in the Sir Ratan Tata Trust get only 500 RP. Fortunately, Trust employees do get a salary determined by market benchmarks. The managing Trustee and Trust employees may also receive a bonus for good performance determined by a subjective performance rating. But the bonus does not depend on the profitability of the Group or its associated companies. However, Mr Ratan Tata does own an economically significant, though very small share of Tata Sons Limited (0.8%).

Discussion

The Tata Group's excellent financial performance and strong social responsibility is consistent with previous research (Thomsen 1996, 1999). The Group maintains a level of managerial distance which is quite similar to what Hansmann and Thomsen (2010) found was associated with optimal financial results. There is a small, but limited overlap between Trust and company boards, the Group has many listed subsidiaries, and the Trusts have a general charitable aim. However, contrary to Hansmann and Thomsen's calculations of optimal performance, most Tata companies have their headquarters at Bombay House where the Trusts and main holding companies (Tata Sons and Tata Industries) are also located.

Is Tata's remarkable success partly attributable to its ownership structure? We certainly cannot demonstrate causality by a case study. But we can speculate. Less patient owners might have objected to some of its long term projects. They might also have found it difficult to accept slower growth in some areas because of the Group's categorical policy on corruption. Less philanthropic owners might have objected to the Group's many social responsibility initiatives. It certainly seems possible that the Tata Group has benefitted from its ownership structure. On the other hand it is possible to envision a situation where the trust structure without visionary leadership would have degenerated into passivity and stagnation. Dynamic leadership is of course not unique to trust-owned companies. There are many examples of dynamic family-owned companies, for example.

We cannot know for sure whether the trust structure made a decisive difference, but at the very least the Tata case shows that trust ownership can be viable and successful under the right circumstances. These circumstances may include the presence of a founding family whose members identify with the Group as if they were de facto owners. We observe that the Tata family as a shareholder has meaningful economic incentives to care for the Group's financial performance.

Tata and the Tata Trusts also owe a great deal to their origins in the relatively small Parsi[10] community which facilitated commerce, trust, strong social networks and philanthropy. For example, the names on the Tata Trust deed and the witnesses are nearly all Parsi. But in recent decades Tata appears to have outgrown its Parsi origins and become a global company in which no specific ethnic group, nationality or caste can lay claim to leadership. Indeed this seems to be part of Tata's enduring success. Nevertheless, a strong value system may have facilitated the success of Tata's Trust ownership.

[10] www.en.wikipedia.org/wiki/parsi

Appendix 1. Ownership of Tata Sons
(most recent publicly available figures)

Shareholder	% Ownership
Shapoorji Pallonji Group	18,6%
Ratan Tata	0,8%
Other Tata family	1,4%
Sir Dorabji Tata Trust	28,3%
Sir Ratan Tata Trust	23,8%
Other Tata Trusts	14,4%
Tata Companies	12,4%
Other Shareholders	0,1%
	100,0%

Source: Wikipedia (2011). Group Communications.

Appendix 2. Tata Sphere Board Structures (x indicates board membership).

Tata Family	Former Tata Employee	Tata Trustees & Holding Company Board Members	Sir Dorabji Tata Trust	Sir Ratan Tata Trust	Tata Sons	Tata Industries	Tata Steel	Tata Motors	Tata Consultancy Services	Tata Power	Indian Hotels	Tata Global Beverages	Tata Chemicals
x	x	Mr R. N. Tata	x	x	x	x	x	x	x	x	x	x	x
	x	Mr N.A. Soonawala	x	x		x							
		Dr Amrita Patel	x										
x	x	Ms Deanna Jejeebhoy	x										
	x	Mr Krishna Kumar	x	x	x						x	x	
	x	Mr A. N. Singh	x										
		Prof. M. S. Valiathan	x										
		Mr V. R. Mehta	x										
		Mr Keki Dadiseth		x							x		
	x	Ms Shirin K Bharucha		x									
x	x	Mr Jimmy Tata		x									
	x	Farrokh K Kavarana			x	x						x	
	x	R Gopalakrishna			x			x		x			x
	x	Ishaat Hussain			x	x	x						
	x	Arunkumar Gandhi			x							x	
		Cyrus Pallonji Mistry			x								
	x	Kishor A Chaukar				x							
	x	S Ramadorai				x			x				
	x	B Muthuraman				x	x						
	x	Prasad R Menon				x							x
	x	Ravi Kant				x		x					
	x	KRS Jamwal				x							

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