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WILL DELAYED DECISION LEAD TO DERISION?

If succession planning is the name of the game, this extremely large and diversified Group seems to have lost it. With the talent and track record that it commands, should this one decision not have been taken many moons ago?

Some days ago, two highly respected and credible former leaders of the TATA Group wrote a thought-provoking piece on the developments in the Group, arising out of the resignation of the Chairman of TATA Sons. The article raises a number of important issues which should make it compulsory reading for those resorting to a blow-by-blow account of what has happened, and is likely to happen. The article in question is headlined “As Tatas choose new leader, remember: Noise is not the story” (Indian Express, August 19, 2026).

Since the two authors in question are enlightened individuals, who are known to be indulgent to other points of view, some comments on the article might not be out of place. The authors start by quoting the old adage “Those who know do not speak and those who speak do not know”. While the truth of this statement is unexceptionable, it does give rise to the question whether, when there are a number of stakeholders, there is a responsibility cast on those who know, to speak to the extent necessary to keep others informed. Deafening silence can never be the best form of communication when speculation and conspiracy theories are rife. There is as yet no statement from TATA Sons. The website of the company also has nothing on this material development. One of the listed group companies has sent a communication to NSE and BSE, forwarding a copy of the statement of the Chairman. Another listed company received some questions on its proposed capital expenditure following the news relating to the Chairman. Surprisingly, there seem to be no questions from the investors of other listed entities.

The authors go on to quote the lines of an all-time favourite *“kuch to log kahenge, logon ka kaam hai kehna”*. The next line, which they also quote, *“chhodo bekar ki baaton ko...”* is equally important. Surely, it cannot be anyone’s case that the question of leadership of what the authors themselves describe as a “rare national jewel” should be brushed aside as *bekar ki baatein.*

Moving away from the quotations and the lyrics, it is necessary to take a hard look at some important issues. Excellence Enablers has always maintained that succession planning is planning for success. The first signs that there could be a need for an active succession planning exercise arose, if not earlier, when at a meeting of the TATA Sons on February 24, 2026, one of the Directors did not endorse the proposal for another 5 year term for the incumbent Chairman. Those not favourably disposed to the Director, who raised some issues, seemed to have identified the proceedings of that meeting as causing the situation that even now awaits a solution. This is incorrect. Any Board member or Trustee is entitled to ask questions which he/she considers germane to the issue that is sought to be decided. All that the concerned Director asked was that the performance of some of the underperforming entities in the Group should be discussed, and explanations offered for continuing poor performance as also on capital expenditure. It is likely, as reported, that he made this a condition precedent for taking a decision on the third term for the present Chairman. Surely no one can be faulted for raising questions which are so fundamental to the matter which was sought to be decided.

On that date, if not immediately thereafter, the Nomination and Remuneration Committee (NRC) should have met, to address the "what if" possibilities, and to set in motion a proper succession planning exercise. If indeed this was done, no one is any the wiser. It is perfectly alright for the defenders of the faith to contend that those concerned would have been applying their minds to this matter. As for the wider stakeholder community, and the corporate ecosystem, with no clarity on the alternatives being addressed, it was fair to assume that the whole process was being needlessly dragged out. It is relevant to mention that in his resignation letter, the incumbent Chairman, who must have been aware of the developments, or the lack of developments, stated as follows:

"My current tenure as the Chairman of Tata Sons comes to an end on Feb 20, 2027. Sir Dorabji Tata Trust and Sir Ratan Tata Trust had unanimously resolved and recommended the extension of my next term for a period of five years, which was recorded and recommended by the Tata Sons Nomination and Remuneration Committee and the Board. Subsequently, the resolution was tabled in the Tata Sons Board on Feb 24, 2026. However, the proposal was not carried through because one of the Board Members did not support it, and in the absence of unanimous support, I chose to defer the decision.

It has been 6 months since that Board meeting, and no resolution has been reached till date. Tata Sons is a very large institution and there are many strategic projects that are under critical stages of execution. It is not only necessary to have a leader in place to lead the Group beyond Feb 2027, but also clarity on leadership is important for employees, investors, partners and other stakeholders.

Under these circumstances, earlier today, I have communicated to the Tata Sons Board, that I have decided not to offer myself for reappointment when my term ends on Feb 20, 2027. I have asked the Board to decide on the succession soon to ensure a proper transition."

6 months have elapsed since that meeting, and there is no clarity on the way forward. That was the stated reason for the Chairman deciding not to offer himself for reappointment at the end of his term. Even thereafter, there is no indication that the NRC of TATA Sons has sought to address the matter on a war footing. Newspaper reports would seem to indicate that the Trusts are making a move to constitute a Selection Committee. Considering that the impending vacancy is in TATA Sons, would it not have been appropriate for TATA Sons, through its NRC, to take the initiative, and to initiate steps for the constitution of a Selection Committee? The terms of reference of the NRC of TATA Sons provides *inter alia* for identifying persons who are qualified to become Directors of the company, as also persons qualified to be appointed to senior management positions. An Executive Chairman is both a Director and a senior management person (KMP). Should the NRC have bestirred itself?

The scheduled AGM did not take place on August 18, 2026. It is useful to reflect on what might have happened if the Charity Commissioner had given a final decision a week before the date of the AGM. Would the two major Trusts have been able to get their act together, and to identify a common representative, as required, to participate in the AGM? More importantly, the proposal before the AGM was *"To re-appoint Mr. N. Chandrasekaran (DIN: 00121863) as a Director of the Company, who is liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment."* Was this the appropriate agenda item for the shareholders to vote on, considering that the Chairman had already stated that he was not offering himself for reappointment?

If the AGM was gone through, a situation could have arisen where the present Chairman, not being a given fresh term as Director, would have accelerated his exit, leaving the large Group headless at a critical situation. Even now, with accounts having to be approved by the end of September, there is the possibility that a final resolution might not emerge before the next scheduled date of the AGM. It is useful to remember that after Mr Ratan Tata vacated the office of Chairman of TATA Sons, a Selection Committee was constituted. That Committee met several times, and at one of the meetings Mr Cyrus Mistry, who was a member of the Committee, opted out of the Committee, and was willing to offer his candidature for the top post. One can only speculate whether he did so because the meetings, that were seemingly not yielding results, had tested his patience.

More than 9 years have elapsed since Mr Chandrasekaran assumed the office of TATA Sons. There was an opportunity more than 9 years ago to address the structural issues that seemed to impact the smooth functioning of the TATA Trusts and TATA Sons, and the possibility of friction between these 2 entities. That was an opportunity that was missed out, with the result that structural issues are staring the Group in the face at this stage. We (Excellence Enablers) had flagged this imperative in a television interview more than 9 years ago (link given below).

Is consulting an eminent lawyer, who has been associated with the Group, and aveteran former corporate chieftain, the best way to get started on the succession exercise? While there could be considerable value extracted from these two individuals, it would reinforce the impression that the NRC is not doing what it should be doing, especially since it is the Chair of the Trusts who is engaging with these individuals, and not the Chair or Members of the NRC of TATA Sons.

While this seemingly unedifying spectacle is being played out, TATA Sons has not yet taken a decision on its listing, even though the date stipulated by the RBI is long over. That the RBI is itself not enforcing the prescribed date is giving rise to avoidable criticism.

In this entire exercise, the role of the office of the Maharashtra Charity Commissioner should not go unaddressed. Complaints were made to that organisation some time ago. It should have been possible to arrive at a decision one way or the other so that the Trusts are enabled to do what they are expected to do, and not wait endlessly for a material decision of this kind. Given the significance of this specific matter, and its impact on the corporate environment, a fast-track approach would have shown the office of the Charity Commissioner in good light.

The goings on in the TATA Group have tended to deflect attention from another interesting development in corporate India. The Managing Director of Godrej Consumer Products was given a fresh term on August 7, 2026 (for a period of 5 years from October 18, 2026). On August 11, 2026, he indicated his intention to vacate office (with immediate effect) stating that "the task I had set for myself here is done and this is the right time to move on". The company quickly addressed the succession issue by naming his successor (from within the company). While the speed is to be envied, one wonders whether at the time of giving the MD an extended tenure, there was any indication that he would be opting out very shortly thereafter. Nevertheless, credit must be given where it is due for a timely succession planning exercise. It is useful to revert to the TATA situation, and to ask whether at any time in close to the 10 years gone by, TATA Sons addressed the possibility that the Chairman could leave, for whatever reason, giving rise to a vacancy in the top most position of a very large Group. Succession planning should not be an outcome of an event, but should engage the NRC and the Board on a continuing basis, especially in times when the pressure of corporate life gets to insufferable levels, and incumbents opt out for pursuing enlightened objectives such as organic farming or setting up elementary schools.

With no clear decision in sight, speculation is ruling the roost. The names of at least four senior leaders of Group companies are being mentioned as possible successors. Since all of them cannot succeed to the post, there will be a situation in which the persons, whose names have been mentioned, will face the embarrassing situation of being asked whether they were considered, and did not make the cut. These are competent and committed business leaders. Surely, they deserve better.

My humble entreaty to the co-authors of the article that I have referred to is simply this. Let those who have to take the decisions, take the decisions. When such senior persons weigh in, it is difficult to resist the thought, baseless, as it might be, that the Group is fielding heavyweights to support a difficult cause. I am sure that the two co- authors will not say "Tata bye bye" to our friendship.

Tailpiece: Meanwhile, as this newsletter was going into print, the Registrar of Companies (RoC) granted TATA Sons a three-month extension to hold its AGM.

To view the interview with ET Now on "Time to restructure TATA", please click here.