

Tata Sons: Power, Governance, and Leadership in a Trust-Controlled Conglomerate

Dr LRK Krishnan¹, S Shreya Krishnan², Sashreek Krishnan³

¹Visiting Professor (OB/HR, ER & LL) IIM Kashipur & SB University

²Oracle Inc. USA

³Carnegie Mellon University, USA

DOI: <https://doi.org/10.51583/IJLTEMAS.2026.150300041>

Received: 23 March 2026; Accepted: 28 March 2026; Published: 09 April 2026

Case Synopsis

In October 2016, Tata Sons found itself at the centre of an unexpected leadership crisis when Cyrus P. Mistry was removed as Chairman. What followed was not just a corporate dispute, but one of the most widely debated governance episodes in modern Indian business. The situation offers a compelling lens to understand how power, leadership, ownership, and institutional structures interact within large business groups (Chakrabarti et al., 2008; Tricker, 2019).

Tata Sons represents a distinctive organizational form. Unlike many global corporations, it operates as a professionally managed conglomerate with a majority ownership held by philanthropic trusts. This arrangement has historically supported long-term thinking and ethical governance, but it also creates complex and sometimes ambiguous lines of authority between trustees, board members, executives, and minority shareholders (Khanna & Palepu, 2010; OECD, 2015). Recent work suggests that such hybrid ownership models can be both a strength and a source of governance tension, particularly in emerging market contexts (Singh & Delios, 2023).

What makes the Tata–Mistry episode particularly significant is how several forces converged at once—leadership succession, concentrated ownership, and boardroom dynamics—each reinforcing the other. Formal governance mechanisms existed, but informal influence, legacy considerations, and relational power played an equally important role in shaping outcomes (Pfeffer, 2010; Mintzberg, 1983). The episode raised uncomfortable but important questions about board independence, transparency, and the actual autonomy available to professional leaders in legacy-driven organizations (Aguilera et al., 2021).

From a strategic standpoint, the disagreement also reflected deeper differences in priorities. Mistry’s approach leaned toward financial discipline and restructuring, particularly in addressing underperforming global assets. At the same time, key stakeholders—especially representatives of the Tata Trusts—appeared more aligned with preserving long-term reputation and legacy. This tension between performance correction and institutional continuity is not unusual in diversified business groups (Khanna & Palepu, 2010; Boubaker et al., 2022).

Looking through an organizational behaviour lens, the situation becomes even more layered. Different forms of power—ownership, positional authority, expertise, and symbolic influence—were all in play, often simultaneously. The leadership styles involved only added to the complexity. While Ratan Tata was often associated with a values-driven and legacy-conscious approach, Mistry brought a more analytical, performance-oriented perspective. The misalignment between these approaches gradually became difficult to reconcile (French & Raven, 1959; Hambrick & Mason, 1984; Ocasio, 1997).

The conflict eventually moved beyond the boardroom into the legal domain, culminating in a 2021 Supreme Court ruling that upheld the board’s decision (Supreme Court of India, 2021). Even so, the broader questions around governance did not disappear. Instead, the episode sparked ongoing debate about minority shareholder rights and the influence of dominant stakeholders (SEBI, 2022).

In the years that followed, under Chairman Natarajan Chandrasekaran, Tata Sons entered a phase of consolidation and strategic recalibration. Performance improved, and stability gradually returned. Yet the episode continues to offer valuable lessons, particularly for organizations navigating the balance between legacy, control, and professional management in complex institutional settings (Boubaker et al., 2022).

At its core, the case asks a fundamental question: who really holds power in professionally managed but trust-controlled corporations?

Keywords: Corporate governance, Business groups, Leadership succession, Organizational power, Emerging markets

Company Background

Established in 1868 by Jamsetji Nusserwanji Tata, the Tata Group has grown from a modest trading operation into one of India's most diversified and influential conglomerates. Its evolution reflects a steady expansion across industries, driven by both strategic diversification and long-term institutional vision.

Tata Sons Private Limited, incorporated in 1917, functions as the group's central holding and governance entity. Its role is not operational in the conventional sense. Instead, it provides direction—shaping long-term strategy, allocating capital, safeguarding the brand, and ensuring governance standards across a wide network of companies. Today, these companies span sectors ranging from steel and automobiles to IT services, hospitality, aviation, and financial services (Tricker, 2019; Tata Sons, 2023). This structure reflects a broader pattern seen in emerging markets, where business groups often compensate for institutional gaps through internal coordination and oversight (Khanna & Palepu, 2010). A defining aspect of Tata Sons is its ownership structure. Roughly two-thirds of its equity is held by philanthropic trusts, including the Sir Dorabji Tata Trust and the Sir Ratan Tata Trust. Dividends from Tata Sons are largely redirected into social and developmental initiatives, embedding a strong societal purpose within the group's business model (Chakrabarti et al., 2008; Tata Sons, 2023; OECD, 2015).

This arrangement places Tata Sons in a unique position—part commercial enterprise, part social institution. While this has contributed to its reputation for ethical conduct and long-term thinking, it also introduces complexities around decision-making authority and accountability. The interaction between trustees, board members, and professional managers is not always straightforward, particularly when strategic priorities differ (Chakrabarti et al., 2008; Singh & Delios, 2023).

Leadership Legacy and Governance Philosophy

Leadership within the Tata Group has long been associated with values such as integrity, employee welfare, and national development. Under J.R.D. Tata, the group expanded significantly while maintaining a strong emphasis on ethical conduct and progressive labour practices (Khanna & Palepu, 2010).

Ratan Tata's tenure marked a different phase—one characterized by globalization and bold strategic moves. Acquisitions such as Tetley, Corus, and Jaguar Land Rover signaled the group's growing international ambition. At the same time, efforts were made to strengthen internal governance through mechanisms like the Tata Code of Conduct and the BEBP framework, which aimed to maintain coherence across diverse businesses without undermining autonomy (Tricker, 2019). These developments reflect an ongoing balancing act: maintaining centralized oversight while allowing individual companies the flexibility to operate effectively. Within the group, this approach is often described informally as "leadership with trust."

Succession and the Appointment of Cyrus Mistry

When Cyrus Mistry was appointed Chairman in 2012, it marked a significant moment. For the first time, someone outside the Tata family assumed the role. The decision was widely supported at the time, suggesting confidence in a more professionalized leadership model.

However, the challenges he inherited were considerable. Several international ventures were underperforming, and parts of the group carried substantial debt. Mistry responded by focusing on restructuring and improving capital efficiency.

Over time, however, differences began to emerge. His approach, which emphasized financial discipline, did not always align with the expectations of all stakeholders—particularly those representing the Tata Trusts. These tensions were not entirely unexpected, given the complexities associated with concentrated ownership structures (Khanna & Palepu, 2010; Aguilera et al., 2021).

The 2016 Boardroom Crisis

The situation came to a head in October 2016, when the board voted to remove Mistry as Chairman. The decision was abrupt and immediately drew attention, both within India and internationally. Ratan Tata returned as interim chairman, and Natarajan Chandrasekaran was later appointed to lead the group.

Mistry challenged the decision through legal channels, arguing that it reflected governance failures and minority shareholder oppression. The case eventually reached the Supreme Court, which ruled in 2021 that the removal was valid under the company's governing framework (Supreme Court of India, 2021).

Although the legal outcome provided closure, the broader governance questions remained. The episode prompted renewed scrutiny of board processes, shareholder rights, and the influence of dominant stakeholders (SEBI, 2022; Tricker, 2019).

Organizational Behaviour Perspective

From an organizational behaviour standpoint, the episode offers a clear illustration of how different forms of power operate simultaneously within organizations. Ownership, formal authority, expertise, and symbolic influence all played a role.

In this case:

- The Tata Trusts exercised ownership-based influence
- The board held formal decision-making authority
- Professional managers contributed expertise
- The Tata legacy itself carried symbolic power

When these forms of power do not align, tensions are almost inevitable. Leadership style further complicates matters. The contrast between a legacy-driven approach and a more analytical, performance-oriented style created additional friction.

Taken together, these dynamics highlight how governance outcomes are shaped not just by structures, but by relationships, perceptions, and institutional expectations (Pfeffer, 2010; Mintzberg, 1983).

Ethical Stakeholder Considerations & Epilogue

Given the Tata Group's reputation, the dispute attracted considerable public attention. Stakeholders closely followed developments, raising questions about transparency and accountability.

In the years after the crisis, the group appears to have regained stability. Under Chandrasekaran's leadership, there has been a renewed focus on consolidation, digital transformation, and performance improvement.

Even so, the episode continues to resonate. It serves as a reminder that governance challenges are not always about formal rules—they often emerge from the intersection of legacy, power, and evolving expectations.

Discussion Questions

1. How did Tata Sons' ownership structure shape power and decision-making during the leadership crisis?
2. To what extent was the conflict with Cyrus Mistry driven by governance issues versus leadership style differences?
3. How do concepts of power and organizational politics explain the board's actions?
4. What risks do philanthropic or family-controlled ownership structures pose for professional management?
5. How can large conglomerates balance ethical legacy with modern governance demands?

Instructor Manual

Teaching Objectives

This case is designed to help students:

- Analyze power and politics in organizations
- Understand corporate governance in complex ownership structures
- Apply OB theories to real-world boardroom conflicts
- Evaluate leadership succession challenges
- Appreciate the role of ethics and culture in strategic decision-making

Suggested Teaching Plan (90 minutes)

- Introduction and context (15 minutes)
- Stakeholder and power analysis (25 minutes)
- Governance and leadership discussion (30 minutes)
- Wrap-up and lessons learned (20 minutes)

Theoretical Frameworks

- Agency Theory
- Stakeholder Theory
- French and Raven's Bases of Power
- Corporate Governance Models
- Leadership Style Theories

REFERENCES

1. Aguilera, R. V., Judge, W. Q., & Terjesen, S. (2021). Corporate governance deviance. *Academy of Management Review*, 46(2), 319–337.

2. Boubaker, S., Nguyen, D. K., & Rouatbi, W. (2022). Corporate governance in emerging markets: A review and future research agenda. *Emerging Markets Review*, 50, 100837. <https://doi.org/10.1016/j.ememar.2021.100837>
3. Chakrabarti, R., Megginson, W. L., & Yadav, P. K. (2008). Corporate governance in India. *Journal of Applied Corporate Finance*, 20(1), 59–72.
4. French, J. R. P., & Raven, B. (1959). The bases of social power. In D. Cartwright (Ed.), *Studies in social power*. University of Michigan Press.
5. Hambrick, D. C., & Mason, P. A. (1984). Upper echelons theory. *Academy of Management Review*, 9(2), 193–206.
6. Khanna, T., & Palepu, K. (2010). *Winning in emerging markets: A roadmap for strategy and execution*. Harvard Business Press.
7. Mintzberg, H. (1983). *Power in and around organizations*. Prentice Hall.
8. Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, 18(S1), 187–206.
9. OECD. (2015). *OECD principles of corporate governance*. OECD Publishing.
10. Pfeffer, J. (2010). *Power: Why some people have it—and others don't*. HarperBusiness.
11. SEBI. (2022). *Report on corporate governance practices in India*. Securities and Exchange Board of India.
12. Singh, D. A., & Delios, A. (2023). Corporate governance and ownership in emerging markets. *Journal of World Business*, 58(2), 101412.
13. Supreme Court of India. (2021). *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.*
14. Tata Sons. (2023). *About Tata Group and Tata Sons*. <https://www.tata.com>
15. Tricker, B. (2019). *Corporate governance: Principles, policies, and practices* (4th ed.). Oxford University Press.