



Corporate Governance Ethics and Comparative Study of Tata and Infosys

Pratik Raj, Dr. Chandrani Ganguly

Department of School of Business, Galgotias
University (Galgotias School of business), Greater Noida

Abstract. Corporate governance and ethics are crucial elements that determine the credibility, sustainability, and long-term success of an organization. They form the framework through which companies ensure transparency, accountability, and responsibility toward all stakeholders, including shareholders, employees, customers, and society at large. This research paper presents a comparative study of the corporate governance practices and ethical standards of two major Indian corporations — Tata Group and Infosys. The Tata Group, founded in 1868, is known globally for its commitment to ethical business conduct and community development, often referred to as the "Tata Way." Similarly, Infosys, established in 1981, is considered a pioneer in setting high standards of corporate governance within the Indian IT sector. Despite their strong reputations, both companies have faced challenges that tested their governance structures: the sudden removal of Tata Sons Chairman Cyrus Mistry and the resignation of Infosys CEO Vishal Sikka. Through a detailed analysis of these events, the paper explores key aspects such as board composition, ownership structures, transparency measures, stakeholder engagement, whistleblower policies, and sustainability initiatives. The study highlights similarities, such as a strong emphasis on ethical leadership and social responsibility, and differences, particularly in ownership models and board independence. Ultimately, the research reveals that even well-governed companies must constantly evolve their corporate governance frameworks to address internal conflicts, leadership transitions, and changing stakeholder expectations. Continuous commitment to ethical values, transparent decision-making, and stakeholder dialogue remains essential for maintaining public trust and ensuring organizational resilience.

Index Terms- Corporate Governance, Business Ethics, Tata Group, Infosys, Ethical Leadership, Transparency

I. Introduction

In today's dynamic and competitive global economy, corporate governance and business ethics have become crucial components for organizational survival, success, and credibility. The framework of policies, procedures, and guidelines that govern how businesses are run and managed is referred to as corporate governance. It involves balancing the interests of a company's many stakeholders, such as shareholders, senior management, customers, suppliers, financiers, the government, and the community. Compliance with laws and regulations is only one aspect of good



governance; fostering a culture of openness, fairness, accountability, and ethical decision-making is another[1]. Corporate scandals and failures around the world — such as the bankruptcy of Enron and the Satyam scam in the United States in — have demonstrated that weak governance and ethical breaches can have devastating effects on an organization's reputation, investor trust, and economic performance. As a result, there has been a global push towards stronger governance standards, with regulators, investors, and society demanding greater accountability and ethical leadership from corporations.

In India, the need for robust corporate governance has been further emphasized following liberalization in the 1990s, the growth of capital markets, and increased foreign investment[11]. Indian corporations are expected not only to comply with regulatory requirements like those governed by the SEBI (Listing Obligations and Disclosure Requirements) Regulations and the Companies Act of 2013, in addition to demonstrate self-regulation, ethical conduct, and commitment to stakeholder welfare. Within this context, Tata Group and Infosys Technologies Ltd. stand out as pioneers and role models for corporate governance and ethical business practices in India.

- Tata Group, established in 1868, is India's oldest and largest industrial conglomerate. It is globally admired for its adherence to values such as integrity, excellence, responsibility, and unity. Much of its governance philosophy is rooted in the vision of its founder, Jamshedji Tata, and carried forward by successive leaders who emphasized corporate responsibility to society, not just to shareholders.
- Infosys, founded in 1981 by N.R. Narayana Murthy and six colleagues with a capital of just \$250, has become synonymous with transparency, ethical leadership, and strong shareholder rights. Infosys was one of the first Indian companies to voluntarily adopt global best practices in governance, such as publishing quarterly earnings guidance and appointing independent directors. It has consistently been recognized for setting high governance standards in the Indian technology sector.

However, both companies have faced governance challenges that tested their frameworks:

- The removal of Cyrus Mistry as Chairman of Tata Sons in 2016 raised questions about transparency, board dynamics, and the role of promoter groups.
- The resignation of Vishal Sikka as CEO of Infosys in 2017 exposed underlying tensions between the board, management, and the founding shareholders regarding executive control and ethical concerns.

These high-profile incidents highlighted the evolving complexities of corporate governance, particularly in balancing tradition with modernization, founder influence with board independence, and profit motives with ethical responsibilities. In this paper, a comparative study is undertaken to analyze the corporate governance structures and ethical frameworks of Tata Group and Infosys. The research will explore how each organization defines and implements governance, how they handled key governance crises, and what lessons can be drawn for the broader corporate world. By doing so, The goal of the study is to advance knowledge. of the critical



importance of ethical governance in building resilient, sustainable, and globally competitive organizations[7]. As the global business environment becomes increasingly complex, corporate governance frameworks are evolving beyond compliance to embrace broader responsibilities, such as Environmental, Social, and Governance (ESG) principles. Today, Businesses are evaluated not just on their financial results but also on their dedication to environmental conservation, social welfare, and ethical governance[8].

Both Tata Group and Infosys have demonstrated early adoption of these values, long before ESG became a mainstream expectation. Tata Group, through its philanthropic arms like the Tata Trusts, has dedicated a significant portion of its profits to community development, education, healthcare, and environmental initiatives. Similarly, Infosys has invested heavily in corporate social responsibility (CSR) through the Infosys Foundation, supporting rural development, education, public health, and arts and culture[2][3]. These initiatives reflect a broader understanding of corporate responsibility, aligning business success with societal well-being. Another important factor to consider is the cultural foundation of both companies. The Tata Group, being over 150 years old, carries a legacy deeply influenced by Indian traditions of trusteeship, wherein business leaders see themselves as custodians of societal wealth. In contrast, Infosys, as a first-generation entrepreneurial venture, reflects the aspirations of a post-liberalization India, where transparency, meritocracy, and global competitiveness are central to its corporate identity.

Given their stature and influence, Tata Group and Infosys are not just business entities — they are symbols of corporate India on the world stage. Their governance practices set benchmarks for other organizations, investors, policymakers, and academic researchers to study and emulate. However, as the case studies of leadership crises at both companies show, corporate governance is not static. It must be dynamic, responsive to internal challenges, external pressures, and the changing expectations of a globalized economy.

Corporate Governance: An Overview

Corporate governance is the foundation upon which businesses build trust, ensure accountability, and achieve long-term sustainability. It's the set of rules, procedures, and practices that dictate how a business is run and controlled. The interests of a company's many stakeholders, including shareholders, management, customers, suppliers, financiers, the government, and the community as a whole, are balanced by good governance.

At the heart of effective corporate governance lie four key principles:

- **Transparency:** Making information freely to be had and on hand to those who could be affected by corporate policies and practices.
- **Accountability:** Ensuring that decision-makers in the organization are answerable for their actions.
- **Fairness:** Protecting the rights of all stakeholders, especially minority shareholders.



- **Responsibility:** Ensuring compliance with regulations, laws, and moral guidelines.



Fig.1: Corporate Governance

Globally, the importance of corporate governance became evident following major corporate scandals like Enron (USA, 2001) and Parmalat (Italy, 2003), which led to widespread financial losses and a crisis of confidence in corporate systems. In response, countries introduced stricter governance frameworks—for example, the Sarbanes-Oxley Act in the United States strengthened corporate financial disclosures and combat corporate fraud.

In India, corporate governance gained momentum after liberalization in the 1990s. The Securities and Exchange Board of India (SEBI) issued guidelines for transparency, the Confederation of Indian Industry (CII) developed a code of corporate governance in 1998, and regulatory reforms like the Companies Act, 2013, further institutionalized good governance practices. Key mandates include the establishment of independent directors on boards, creation of audit and nomination committees, stronger disclosure norms, and protection of minority shareholders. Moreover, environmental, social, and governance (ESG) criteria are increasingly being incorporated into the governance models of Indian businesses. Companies today are viewed by global investors not only in terms of their financial returns, but also in terms of their ethical conduct, environmental responsibility, and social impact. Companies are run in a way that is legal, ethical, and long-lasting when there is strong corporate governance in place. It mitigates risk, improves access to capital, enhances company valuation, and contributes to economic development. The case studies of Tata Group and Infosys provide valuable insights into how Indian corporations have navigated their governance journeys. Both companies have not only complied with legal frameworks but have also set voluntary standards much higher than required, emphasizing ethics, social responsibility, and stakeholder engagement[5][6]. Their histories show that while good governance can build a brand's legacy, lapses in governance—even in the best-run companies—can lead to reputational damage and internal crises. Thus, understanding corporate governance is crucial not only for business students and researchers but also for policymakers, investors, and the



broader business community aiming to build resilient, responsible, and successful organizations.

Tata Group: Governance Framework and Ethical Practices

One of India's oldest and most reputable business conglomerates, the Tata Group was established in 1868 by Jamshedji Tata. It is well-known worldwide for its high standards of corporate governance and strong ethical values. The Group operates across diverse industries, including steel, automobiles, IT services, telecommunications, and hospitality, with over 100 operating companies. The Tata Group's governance framework is built on the pillars of integrity, transparency, accountability, and social responsibility. At the core of its governance structure is Tata Sons, the principal investment holding company and promoter of the major Tata companies. Tata Sons is in charge of strategic decision-making and gives its subsidiaries operational autonomy, ensuring that businesses maintain autonomy while adhering to Group values.

Key elements of Tata Group's governance model include:

- **Tata Code of Conduct (TCoC):** A binding ethical guide for all employees and directors across Tata companies, emphasizing honesty, fairness, respect for human rights, and responsible citizenship.
- **Board Independence:** Tata companies emphasize a balanced and diverse board composition, with a significant proportion of independent directors to ensure objectivity.
- **Stakeholder Focus:** The Group believes in generating value for all stakeholders, including employees, customers, communities, and governments, in addition to shareholders.
- **Philanthropy and Corporate Social Responsibility (CSR):** Two-thirds of Tata Sons' equity is held by philanthropic trusts, such as the Sir Dorabjee Tata Trust and the Sir Ratan Tata Trust, which invest heavily in education, healthcare, rural development, and social causes.

Despite its strong ethical foundations, the Tata Group faced a major governance challenge during the Cyrus Mistry removal controversy in 2016, raising concerns about boardroom transparency and leadership succession. However, the Group took corrective steps to strengthen governance mechanisms post-crisis, reaffirming its commitment to ethical leadership and stakeholder trust. Overall, the Tata Group exemplifies a model where business success is deeply intertwined with ethics, transparency, and social responsibility, making it a globally admired corporate entity.

Infosys: Governance Framework and Ethical Practices Infosys, founded in 1981 by N.R. Narayana Murthy and six other engineers, has grown into one of India's leading IT services companies. Known for its transparency, strong ethical values, and commitment to best governance practices, Infosys is often seen as a pioneer in setting high standards in corporate governance within India's technology sector. Infosys' governance framework is built on accountability, transparency, and ethical conduct, with a clear focus on safeguarding the interests of all stakeholders, including shareholders, staff, clients, and society at large.



Key elements of Infosys' governance model include:

- **Board Composition and Independence:** Infosys ensures a well-balanced and diverse board with a high proportion of independent directors. This independent oversight is crucial in ensuring transparency and preventing conflicts of interest.
- **Code of Conduct:** Infosys has established a Code of Conduct that applies to all employees, directors, and stakeholders, emphasizing integrity, honesty, transparency, and the protection of the company's assets.
- **Disclosure and Transparency:** Infosys is a leader in disclosing comprehensive financial information, strategic plans, and risks in its annual reports, making the company one of the most transparent in India's corporate landscape.
- **Whistleblower Policy:** Infosys provides an Employees can report unethical behavior or governance violations anonymously through a whistleblower system without fear of retaliation.
- **Corporate Social Responsibility (CSR):** Through the Infosys Foundation, the company actively engages in initiatives focused on education, healthcare, rural development, and cultural preservation. The Foundation embodies Infosys' commitment to social responsibility and ethical business practices.

Infosys has faced challenges in its governance journey, particularly during the Vishal Sikka resignation crisis in 2017. The resignation exposed tensions between the company's leadership and its founders, raising concerns about how founders contribute to corporate governance and the challenges of managing succession. However, the company took steps to address these concerns and re-establish its governance integrity. Overall, Infosys' governance framework is a model of transparency, ethical leadership, and stakeholder engagement, with a commitment to continuously improving its practices to maintain trust and accountability.



Fig.2: Infosys Annual Report

Case Studies: Governance Challenges

While both Tata Group and Infosys are regarded as paragons of corporate governance, they have faced governance challenges that tested their values, leadership, and



governance structures. These case studies not only provide insight into the companies' internal governance processes but also offer valuable lessons about leadership transitions, stakeholder engagement, and the complexities of balancing founder influence with modern corporate needs.

Tata Group: The Cyrus Mistry Removal Crisis

In 2016, Cyrus Mistry, who was appointed Chairman of Tata Sons in 2012, was abruptly removed from his position, setting off a major corporate governance controversy. Mistry, who succeeded Ratan Tata as the head of Tata Sons, was removed after just four years, despite leading a transformation strategy aimed at reviving the conglomerate's fortunes. His ouster sparked a fierce boardroom battle and highlighted several governance issues:

- **Lack of Transparency and Communication:** Mistry's removal was not publicly explained in clear terms, leading to confusion and public scrutiny. Many stakeholders, including Mistry himself, claimed that they were not given a valid reason for his dismissal, raising questions about the board's decision-making process.
- **Promoter Influence:** Tata Sons is primarily controlled by the Tata family, which raised concerns about the undue influence of the founding family in key decisions. The controversy exposed the tension between the board's authority and the controlling stake of the family, which had played a dominant role in Tata Group's governance since its inception.
- **Board Dynamics and Independence:** The lack of alignment between Tata Sons' board and its leadership brought attention to the independence of the board. Several independent directors resigned, citing issues with corporate governance practices. The incident led to a broader debate about the structure and functioning of boards in family-owned conglomerates, especially regarding the level of autonomy they should have.

In the aftermath, Tata Group took several steps to bolster its governance practices:

- **Enhancing Board Independence:** The Group restructured its board to ensure greater independence and clear separation of powers.
- **Leadership Succession Planning:** Tata Sons and its subsidiaries introduced more formalized leadership succession plans to avoid such sudden and controversial leadership changes in the future.
- **Commitment to Transparency:** Tata Group strengthened its internal processes and communication strategies to ensure greater transparency in its decision-making.

Though the crisis exposed significant governance gaps, Tata Group used the situation as an opportunity to enhance its governance framework, reaffirming its commitment to ethical practices and stakeholder trust.

Infosys: The Vishal Sikka Resignation Crisis

In 2017, As tensions between Infosys' leadership and its founders grew, Vishal Sikka, the company's first non-founder CEO, resigned. Sikka's resignation came as a result of public disagreements with the founders, led by Narayana Murthy, over a range of



issues, including corporate governance, executive compensation, and the company's strategic direction. The crisis brought to the forefront several governance challenges:

- **Founder vs. Management Tension:** The founders, particularly Murthy, criticized Sikka's leadership and questioned certain governance practices, such as large executive compensation packages. This conflict highlighted the challenge of balancing the influence of company founders with the autonomy of professional management. It also raised the question of how a company should navigate between honoring its founding values and modernizing its approach to governance and operations.
- **Boardroom Conflicts:** Sikka's resignation also pointed to possible fractures within the board of directors. While the board expressed support for Sikka, there were concerns about how to handle the growing tension between the CEO and the founding members. The episode revealed the challenges of maintaining board unity and ensuring that the interests of the founders and external stakeholders are effectively managed.
- **Transparency and Stakeholder Communication:** The public nature of the dispute created significant uncertainty in the market, affecting stock prices and investor confidence. The lack of clear, transparent communication about the reasons behind Sikka's departure and the company's strategic direction during the leadership transition led to concerns about governance practices and stakeholder management.

In response to the crisis, Infosys took several steps to address the governance issues and restore confidence:

- **Board Restructuring:** The company appointed Nandan Nilekani, one of Infosys' co-founders, as the new Chairman to lead the company through the transition and address governance concerns. The new leadership emphasized the need for a more balanced and transparent approach to decision-making.
- **Strengthened Governance Framework:** Infosys revamped its governance practices by revising executive compensation policies, increasing board independence, and committing to enhanced transparency in communication with stakeholders.
- **Focus on Ethical Leadership:** Infosys reaffirmed its commitment to ethical leadership by revising its code of conduct and introducing new policies to guarantee that the company's governance procedures adhere to world-class standards.

The crisis at Infosys highlighted the difficulties companies face in managing governance when there is a conflict between founders and professional management. It also demonstrated that governance structures must be flexible enough to address evolving challenges while staying true to the company's core values.



Fig.3: Tata Ethics training program

Lessons Learned

The governance challenges faced by both Tata Group and Infosys offer valuable lessons in corporate governance, leadership, and stakeholder management. These case studies highlight the importance of maintaining strong governance frameworks that are flexible, transparent, and responsive to internal and external pressures.

Importance of Board Independence and Objectivity

Both Tata Group and Infosys demonstrated the critical role of independent boards in ensuring unbiased decision-making. The Cyrus Mistry removal crisis at Tata Group and the Vishal Sikka resignation at Infosys exposed how conflicts within the board and the influence of major stakeholders, such as the founding family or key executives, can undermine governance. The lessons here are clear: a strong, independent board is essential to maintain objectivity, avoid conflicts of interest, and provide checks and balances to the leadership.

Leadership Transitions Must Be Managed Carefully

Both companies encountered difficulties with leadership transitions. The sudden removal of Cyrus Mistry and the resignation of Vishal Sikka highlighted how leadership changes, particularly in large organizations, must be handled with care. Clear succession planning, open communication, and stakeholder engagement are critical to ensure smooth transitions. Companies should always have a well-structured process for leadership succession to avoid creating uncertainty and instability within the organization.

Transparency and Effective Communication Are Key

In both crises, a lack of transparency and communication contributed to confusion and reputational damage. The absence of a clear explanation behind Mistry's removal at Tata Group and the public dispute over Sikka's leadership at Infosys raised questions about governance practices. The lesson here is that transparency in decision-making, especially during periods of crisis, is essential. Companies should ensure that they communicate openly with stakeholders, explain their decisions clearly, and be responsive to concerns.



The Need for Continuous Evaluation of Governance Structures

Both Tata Group and Infosys took corrective actions after their governance crises, demonstrating the importance of continuously evaluating and improving governance structures. Good governance is not static; it requires regular reviews, especially in response to challenges or changes in the business environment. This includes updating policies, strengthening oversight, and ensuring that governance practices evolve to meet new challenges.

Ethical Leadership and Accountability

Finally, the case studies reinforce the importance of ethical leadership and accountability in maintaining trust with stakeholders. Both Tata Group and Infosys are built on ethical values, but the governance challenges they faced show how even companies with strong ethical foundations can falter. Ensuring that leaders uphold high ethical standards, make decisions that align with company values, and are accountable to stakeholders is crucial for long-term achievement.

II. Conclusion

Business success relies heavily on good corporate governance, ensuring transparency, accountability, and ethical conduct within organizations. The case studies of Tata Group and Infosys reveal both the strengths and challenges inherent in maintaining robust governance frameworks. While both companies have made significant contributions to setting high standards in governance and ethical practices, they have also faced governance crises that tested their structures and leadership. The challenges faced by Tata Group, such as the Cyrus Mistry removal, and Infosys, with the Vishal Sikka resignation, highlight the complexities of corporate governance in large, diverse organizations. These events underscore the importance of maintaining independent and transparent boards, managing leadership transitions carefully, and ensuring that communication with stakeholders is clear and consistent. The lessons learned from these case studies emphasize the need for continuous improvement in governance practices, the protection of ethical standards, and the commitment to accountability. Both Tata Group and Infosys, despite their challenges, have shown resilience by taking corrective measures and enhancing their governance structures to regain stakeholder trust. In the evolving global business environment, it is crucial for companies to prioritize governance and ethical leadership to ensure long-term success and sustainability. The experiences of Tata Group and Infosys provide valuable insights into how companies can navigate governance challenges and reinforce the principles that will guide them through times of crisis.

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