

Multinational enterprises from emerging markets – leveraging JVs for growth

Introduction

Historically, airports were primarily government-owned. Different business models subsequently developed globally. The US model focused on airports providing basic infrastructure, allowing airlines to manage their own modifications and services. In contrast, European airports, spearheaded by examples like Frankfurt Airport, adopted a more comprehensive approach, managing a wider range of value-added services. This integrated approach allows European airports to control more of the value chain, resulting in increased revenue, investment and cost efficiencies.

The role of airport developer and operator saw a transition with the privatization wave starting in the decade of 1970s, in developed nations which later came to the developing ones. One of the most successful and pioneering airport privatizations has been that of British Airport Authority in the 1980s. A set of developing nations like India adopted the public-private partnership (PPP) model, encouraging private sector participation through joint ventures (JVs) and alliances, involving reputed names worldwide to bring in global best practices in the sector, which also involved one or more state-owned entities.

JVs have evolved since the late 19th century, initially serving to pool resources for common goals such as knowledge sharing, market access and technology. These were initially applied in the infrastructure sector, especially in railroads, and later expanded to other sectors like petroleum and construction. Over time, studies around JVs shifted from simple case studies to more comprehensive theories, incorporating transaction cost, resource-based, capability-based and knowledge-based frameworks. Research on JVs has highlighted their role in organizational learning and knowledge transfer, emphasizing their impact on organizational development.

Research on JVs and alliances has progressed through distinct phases. Initially, it concentrated on the fundamental aspects of JV formation, such as selecting the right partner and devising effective entry strategies. This was followed by a focus on the ongoing management of the JV and evaluating its performance. However, as JVs have become more widespread and are increasingly recognized as temporary organizational structures, the research agenda has evolved. Scholars are now grappling with the challenges of JV longevity – understanding the factors that contribute to a JV's lifespan. This naturally leads to increased interest in the processes of termination and dissolution, including how these events are

Funding: The authors received no financial support for the research, authorship and/or publication of this article.

Declaration of conflicting interests: The authors declare that there are no potential conflicts of interest concerning the research, authorship and/or publication of this article.

Ethical statement: The authors confirm that this research complies with all relevant guidelines and regulations.



managed. Research, therefore, needs to be done in exploring the post-termination phase (Arora *et al.*, 2023). This involves examining the long-term consequences for the parent companies involved, such as how assets are divided, how knowledge is transferred or protected and how the experience of the JV influences future strategic decisions. This emerging area of research is crucial for understanding the full lifecycle of JVs and maximizing their potential value.

Quite a few industry sectors in India have undergone this journey with mixed results. Business houses like Hero (its JV with Honda being Hero Honda) and TVS (TVS-Suzuki being its JV with Suzuki) among others have undergone this transition of partnering with international firms for an alliance/JV to working together as a JV company, enhancing capabilities and followed by JV termination and continuing solo after that. While JVs were formed for various reasons including accessing and sharing resources, and technology, they helped the parent firm develop competencies for them to be successful post the JV termination.

The airport sector has been relatively new to this field of JV lifecycle. Accordingly, the lifecycle of an airport developer and operator (originally from India but currently having operations in different parts of the world) is presented here in this paper from JV inception to maturity. Themes like JVs' role in facilitating knowledge sharing and competency development, enabling Indian partners to manage global airport projects independently, are highlighted.

The case

Founded in the 1970s, GMR Group from India initially focused on agri-based commodities but shifted to infrastructure in the decade of 1990s, starting with roads, highways and power, capitalizing on India's economic reforms. It entered airport development in the new millennium, i.e. 2000s, and operates major airports in India, such as Indira Gandhi International Airport (IGIA) in Delhi, Rajiv Gandhi International Airport in Hyderabad and Manohar International Airport (MoPA) in Goa, along with international airports in the Philippines, Greece and Indonesia.

GMR forms special purpose vehicles for each project, often through JVs with partners typically with the leaders in infrastructure and/or the federal airport entities of the country (e.g. Airports Authority of India also known as AAI in India, Malaysian Airports of Malaysia, i.e. MAHB, and Frankfurt Airport of Germany). Early JVs were formed to meet regulatory requirements, such as the mandatory experience for airport operators. Over time, GMR gained significant airport operations expertise, expanding through JVs to acquire market insights and capabilities, particularly in foreign markets, and build in-house knowledge.

GMR's approach to JV and alliances

GMR's strategy hinges on leveraging JVs and alliances to strengthen its competitive position in airport development and infrastructure sectors. By collaborating with established partners, the group effectively bridges knowledge gaps and gains access to specialized expertise in areas where it may lack internal capabilities, such as airport operations (this has been on the lines of practices adopted by the group in its other businesses like power plants). In cases where full ownership is not essential, GMR opts for non-equity alliances, allowing for cooperation without assuming the complexities of ownership and control (Dubey, 2016).

A key aspect of this approach is a strong emphasis on learning from partners. Through these collaborations, the group acquires valuable knowledge and operational expertise, which it then internalizes over time. As it develops the necessary skills and capabilities in-house, greater responsibility for the functions initially shared with partners is progressively taken over by the GMR Group. Once the objectives of the partnership are met, it amicably concludes the alliance, reflecting its commitment to long-term self-sufficiency and internal growth.

When selecting partners, GMR uses a comprehensive evaluation process, considering technical expertise, financial stability, business performance and cultural alignment. The group recognizes that successful partnerships are built on mutual compatibility in terms of capabilities, organizational values and long-term strategic goals. GMR often prefers to maintain majority ownership in its JVs, as this enables greater control over decision-making and aligns with its strategic objectives. However, when regulatory constraints prevent this, GMR adapts its approach to ensure a balance between collaboration and control.

Academic research supports GMR's JV and alliance strategy, particularly in the context of commitment, trust and knowledge transfer. Cooperative learning in JVs highlights the importance of interorganizational factors wherein commitment is crucial but insufficient for effective cooperation. Trust along with learning structures, in acquiring foreign parent knowledge have been consistently reported as essential for JV success. While commitment and trust are vital for successful cooperation in JVs, they must be accompanied by effective conflict resolution and knowledge-sharing mechanisms (Parkhe, 1998). GMR's strategic use of JVs and alliances plays a critical role in its ability to build internal capabilities, expand its market presence and successfully navigate complex infrastructure projects. By focusing on collaborative learning, the group continuously strengthens its competencies and establishes a solid foundation for future growth.

The GMR Group and Malaysia Airports Holdings Berhad (MAHB) Airports partnered in 1999 to bid for the greenfield Hyderabad International Airport Project, ultimately forming the alliance that became GMR-Hyderabad International Airport Ltd (GHIAL). Over the next two decades, the partners worked together to build the institution (along with AAI and the provincial government of the Indian state of Andhra Pradesh/ later Telangana, both of which were mandated to take a 13% stake each in GHIAL). MAHB Group acquired the 11% stake from GMR in 2009 for \$10m. Toward the end of the two decades, GMR Group having internalized the capabilities, bought over the stake of MAHB in 2024 for about \$100m leading to the end of the partnership in GHIAL. Some of the key factors contributing to the successful partnership between MAHB and GMR in the Hyderabad airport project are summarized herewith:

- MAHB's expertise: MAHB brought significant experience in airport design, construction, operations and services to the table. This was crucial for the project's success.
- Mandatory requirement: Critically, MAHB fulfilled the requirement of being an experienced airport operator. This was a regulatory necessity for the project.
- Local knowledge: GMR possessed crucial knowledge of local regulations and laws. This expertise was essential for navigating the often-complex government approval processes.
- Synergy: The combination of MAHB's operational expertise and GMR's local knowledge created a powerful synergy. This allowed them to efficiently navigate the regulatory landscape and bring the Hyderabad airport project to fruition.
- Template for future projects: The success of the Hyderabad project served as a model for future collaborations between MAHB and GMR, suggesting a strong and replicable partnership formula.

The initial JV at Hyderabad airport laid the foundation for expanding partnerships to bid for airports in Delhi (India), Male (Maldives) and Istanbul (Turkey). GMR's assertive strategy was complemented by MAHB's reserved one, turning the association productive, with both parties effectively working together as a unified team. Accordingly, MAHB continued to be a long-standing alliance partner of GMR – their successful collaboration in airport development stemmed from a well-structured process. Coordination platforms and communication channels along with defined roles and responsibilities between the partners helped a sustainable and long-term partnership.

In 2006, GMR, partnering with MAHB and Fraport, won the competitive bid to develop and manage IGIA in Delhi. This led to the formation of Delhi International Airport Limited (DIAL), a JV where GMR held a 54% stake, with MAHB and Fraport each holding 10%. AAI also participated with the rest 26% as a pre-requisite of the bidding process, making it a PPP project for GMR, the second one after Hyderabad. Fraport's extensive experience managing Frankfurt Airport, especially in terminal operations, cargo handling, and airside activities, was instrumental in GMR's technical qualification and the subsequent operational success of IGIA (Phuyal, 2023). MAHB contributed valuable non-aviation business expertise. Eighteen years later, in September 2024, GMR acquired Fraport's 10% stake in DIAL for \$126m. This acquisition marked the conclusion of a highly successful partnership, although both GMR and Fraport stated their intention to continue collaborating in the future.

JV research has highlighted several critical factors for success, such as creating mutual value, understanding initial partner knowledge, clearly defining risks and roles, establishing strong governance and trust and maintaining flexibility and a process for review (Beamish and Lupton, 2009). The resource-based view further emphasizes the importance of partners setting clear, achievable, and aligned goals that prioritize efficiency (Das and Teng, 2000). This alignment has a direct impact on how each partner's roles and responsibilities are defined and executed (Debellis et al., 2021).

The strategic intent of the partners is a key determinant of JV success. When partners have a clear strategic vision, they are more likely to define roles and goals effectively, leading to greater satisfaction and goal attainment. Conversely, JVs often fail when partners have unrealistic expectations, engage in poor planning or struggle with knowledge transfer and aligning market goals – all potential consequences of a lack of clear strategic intent (Hatfield and Pearce, 1994).

Global expansion strategies

A consortium of GMR, Limak Holdings and MAHB successfully won the 2007 bid for Istanbul's Sabiha Gokcen International Airport in Turkey. Operating under a build, operate and transfer (BOT) model, the project saw GMR and Limak each holding a 40% stake, while MAHB held 20%. GMR's participation in this international venture, its first in the airport sector, benefited from Limak's strong local presence and construction expertise. GMR sold its stake in 2014.

In GMR's airport JVs, knowledge transfer was a crucial two-way street. Local partners assumed significant operational responsibilities, benefiting from training and ongoing support from foreign partners. This included on-site training for executive teams at various airport locations. However, partners were mindful of protecting critical skills related to bidding strategies and strategic planning. This practice is consistent with research that identifies key knowledge transfer processes in JVs, such as technology sharing, interorganizational interaction, personnel exchanges and strategic integration. Furthermore, the research emphasizes the critical role of local partners in providing access to local market knowledge, which is essential for JV success and overcoming locational disadvantages.

GMR and MAHB won the 2010 bid to develop and operate Male Airport, in Maldives. Despite MAHB's operational experience negating the need for a local partner, the subsequent contract termination by the Maldivian government (later overturned in court) highlighted the disadvantage of lacking local connections.

Having learned valuable lessons from previous international projects, GMR adopted a more strategic approach to partnerships for the Mactan-Cebu Airport project in the Philippines. While qualified to bid independently, GMR partnered with local firm Megawide Construction (MCC) specifically to access expertise in local laws and regulations. This proved to be a successful strategy, with the GMR-MCC consortium winning the 25-year

contract in 2014 and establishing GMCAC. The subsequent divestment of both partners' stakes in 2022 reflects GMR's "Asset Light" business model, although they agreed to continue providing technical services to the airport until December 2026.

GMR Airports continued its international expansion with two significant projects: the Kastelli airport in Crete (secured in 2020 in partnership with Terna) and the Kualanamu Airport in Medan, Indonesia. Winning the Indonesian bid in late 2021, GMR established a 49:51 partnership with PT Angkasa Pura II, a state-owned enterprise of Indonesia, in volved in managing airports.

JVs as a stepping stone to multinational enterprise status

GMR strengthened its alliance management by formalizing partner selection and negotiation, outsourcing support functions and developing internal expertise. Dedicated bidding teams captured bidding knowledge and expanded into consultancy services.

Its success with JVs, both domestically and internationally, allowed it to develop significant internal capabilities. As the capabilities grew, GMR shifted toward solo ventures, limiting future alliances to construction oversight and local funding. This led to a strategic shift toward wholly owned subsidiaries (WOS) for subsequent projects. GMR secured the MoPA project in Goa under the aegis of GMR Goa International Airport Ltd. and the Bhogapuram Airport project in Andhra Pradesh as GMR Visakhapatnam International Airport Ltd., both the WOSs created to design, finance, operate and maintain the respective assets under BOT models. It is noteworthy that GMR (on its own) won the Goa and Visakhapatnam airport bids among 12 and 13 interested players, respectively (many of which were multinational airport developers and operators), with both its technical and commercial competencies having helped it score over others.

Finding and implications

This research highlights certain critical factors for successful JVs: building trust to facilitate learning and informed control decisions; establishing clear roles and plans to avoid coordination problems; developing a roadmap for capability transfer and potential transitions to WOS; and leveraging success in new markets to drive international expansion and achieve multinational status. GMR's journey, from strategic partner selection to international projects, offers a practical illustration of these principles.

India's focus on airport infrastructure and supportive policies has spurred IJVs between Indian and international firms, enabling Indian companies to gain global expertise and compete internationally. This research offers valuable insights for policymakers as India expands its aviation infrastructure and provides a roadmap for other sectors seeking global competitiveness. Essentially, it shows how strategic infrastructure investment and favorable policies create opportunities for Indian companies to develop global expertise through partnerships, contributing to their international success.

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