Case Study

Adani Group: Growth, Governance, and the Crisis of Credibility

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Abstract

This educational case study analyzes the governance and strategic problems that the Adani Group faced in connection with numerous high-visibility crises from 2023 to 2025. Following allegations of financial misconduct and an indictment by the U.S. Department of Justice, the case places students at a decision point in time (November 2024), with respect to declining market valuation, heightened scrutiny from regulators, and reduced trust by key stakeholders, while still grappling with how to maintain their aggressive growth plan. Throughout this case, there is a tension between continuing to expand as a means of signaling strength through resilience versus pausing to implement governance processes. Finally, it raises larger issues faced by many conglomerates in developing markets, such as concentrated ownership structures, leveraged businesses/operations, and complex regulatory environments associated with cross-border transactions or businesses where domestic and international regulations apply.

Keywords

Corporate governance, emerging markets, growth strategy, risk

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Prologue: A Turning Point

In November 2024, Gautam Adani convened an emergency board meeting following the announcement of an indictment by the U.S. Department of Justice for bribery, securities fraud, and omission of material information. Of course, the news caused a stir in the financial markets. Within just a few days, the stock valuation of the group's companies lost a market value of several billion dollars. The issuing of bonds on the international market was abandoned, and many foreign partners conducting business started reviewing their partnerships (Cuervo-Cazurra, 2006; Rodriguez, Uhlenbruck, & Eden, 2005).

Though the group had previously been under intense scrutiny, this incident was different. Get this, now the situation is beyond reputation and has entered the legal and regulatory arena. It is even international in nature. The choice was on how to signal resiliency: either the group continues with its expansion program or calls off its growth plans and focuses on implementing governance reforms and rebuilding stakeholders' confidence.

Growth Strategy and Business Orientation

The Adani Group was formed in 1988 as a commodities trader and has transformed into a vast infrastructure conglomerate within three decades. It also has activities in ports, logistics, energy, mining, airports, and media, which are the areas directly related to the national development priorities. Some characteristics describe the growth model of the group; first, it is important to note that fast build-up of assets, use of leverage, and link to national infrastructure goals were part of the strategy adopted by the Group. The decision-making system was centralized; however, this led to the development of structural dependencies regarding capital markets and regulations (Jensen & Meckling, 1976).

That meant the organization could quickly grow and establish itself as a leader in that area. There, however, were certain structural dependencies vis-à-vis capital markets, the regulatory system, and the trust of its stakeholders. The growth strategy followed by the Group materializes in high capital intensity, and scalability can be followed, based on continued funding. Such it is possible that the growth strategy followed by the Group has shown a high capital intensity with scalability subjected to continuous funding, on the other hand, it is possible to say that such a strategy made it possible to dominate within the market with the case being that the firm was exposed to vulnerabilities with regards to shocks influenced by investors' perceptions, regulators, and capital markets in general at global level (Morck, Wolfenzon, & Yeung, 2005; Khanna & Palepu, 2000).

Context Within the Industry: Infrastructure Development and Conglomerate Expansion in Emerging Markets

Infrastructure construction in emerging markets such as India requires huge amounts of investment, long-term plans, and high levels of interconnection with government policy decisions. Big business houses tend to be highly involved in

the process of creating infrastructure, given their ability to pull together all the required resources and orchestrate the process (Khanna & Yafeh, 2007)(Khanna & Yafeh, 2007).

At the same time, conglomerates such as the Adani Group function within the framework of both the public and private sectors whose business expansion is directly related to government schemes. Such a nature of model entails that there is always a need for capital inflows, and this need is met through debt financing and capital market operations (Exhibit 3). Leveraged growth implies that such companies are perpetually subject to the threats of shifts in investor sentiments toward them, thereby leading to greater vulnerability (March & Shapira, 1987). Besides, infrastructural construction usually presupposes big investments made for long time periods during which a change of strategy might become too costly. Sustainability is thus also linked to effective governance and confidence of the stakeholders.

The Shock of 2023: Market's Trust Tested

A report issued during the month of January 2023 by a US-based group that is involved in short selling raised issues related to manipulation of stock prices, utilization of offshore vehicles, and transparency (Exhibit 1). The group issued a strong denial of the claims. The response from the market was immediate as follows:

- Decline in market capitalization;
- Withdrawal of its equity issuance plans;
- Greater attention and monitoring by both investors and regulators.

Despite the steps that were undertaken by the group to help restore its reputation, including repaying debts and engaging investors, it raised serious questions in regard to its governance and disclosure practices (Exhibit 2). The event clearly showed a gap in stakeholder behavior. Domestic stakeholders were proven to be more tolerant toward risks, whereas global investors were less patient.

Expectations of Global Investors and Domestic Investors

There was also a difference in expectations from the stakeholders, depending on whether the stakeholders were domestic investors or global investors (Exhibit 4). It is likely that the reaction from domestic investors would be different from reactions from global investors because the former would be used to local dynamics, while the latter would be expected to evaluate the case with stricter standards for governance, transparency, and environmental, social, and governance (ESG). As far as the Group was concerned, this added another layer of complexity in that it meant that there were two sets of demands being made on the organization simultaneously. While growth and keeping pace with national developments may be key priorities for domestic markets, international investors may add disclosure and independence of the board as priorities.

Performance Amid Changing Conditions

The performance of the organization was quite constant throughout the year 2023 and into 2024. Performance of the major businesses continues to yield revenues, and the group continues on the same growth path as it did previously. However, the environment in which this took place was not as favorable as prior to this, as investor confidence was no longer unconditional, but conditional, and their margin of safety was reduced.

The 2024 Indictment: Escalation of Risk

This issue was therefore magnified by the indictment in November 2024. Bribery and fraud charges with regard to misleading shareholders became a legally problematic issue since the group was now dealing in international financial markets. This was a new ball game because there could be legal repercussions, and thus strategy and governance were all the more important. The consequences were:

- Loss of market value;
- Delay or rethinking of overseas projects;
- Suspension of financing projects;
- Regulatory inspection.

Accumulating Pressures Across Stakeholders by the End of 2024, the Group was Under Pressure from Different Stakeholders

Stakeholder Key Expectation Risk Investors Transparency Capital withdrawal Regulators Compliance Legal exposure Employees Stability Talent attrition Partners Credibility Contract risk. Notably, the stakeholders started to comprehend the events in a cumulative rather than an individual manner, which developed a larger narrative governing risk (Freeman, 1984).

Complexity of Governance in Emerging Markets Business Groups

Governance in emerging markets is likely to be affected by institutional settings that are still developing. Ownership of business groups in emerging markets features the degree of ownership still maintained by the founding promoters, with control over key decision-making mechanisms. Though the ownership structure provides for great flexibility and foresight, it adversely affects the ability of independent governance to function effectively (Claessens, Djankov, & Lang, 2000; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). In addition, the institutional settings in emerging markets are likely to be developing at a slower pace than growth in corporate itself, hence the so-called "institutional voids," according to researchers (Khanna & Palepu, 2000). This results in enforcement,

reporting, and accountability inconsistencies. In the case of cross-border operational firms, the issue is much compounded since they have to accommodate different governance requirements (Filatotchev & Wright, 2011).

Governance, therefore, goes beyond being a compliance issue but a critical element of strategic planning that shapes the ability of firms to raise funds and reputation coupled with the survival of corporate entities (Shleifer & Vishny, 1997; Daily, Dalton, & Cannella, 2003).

Interpreting the Pattern

The dynamic environment raised behavioral and structural issues in organizational decision-making. Centralization of control raised issues of adequacy of control mechanisms as the company became bigger and more complicated. On the other hand, strategic thinking that persists despite adversity is also considered evidence of the role of behavioral biases, especially under ambiguity and losses (Kahneman & Tversky, 1979; Sitkin & Pablo, 1992). Ethical issues arose slowly as operations took place in different parts of the world where varying levels of regulatory standards were in place, thus exposing the possibility of minor infringements of universal standards (Ashforth & Anand, 2003; Palazzo, Krings, & Hoffrage, 2012). Management responses also featured prominently in assessing stakeholder perceptions, as overconfidence internally may be interpreted externally as a failure to adequately acknowledge emerging issues (Bazerman & Tenbrunsel, 2011).

Redefining the Strategic Problem

The critical problem for the business was not about expansion per se, but it was about balancing expansion and legitimacy. Success in the organization is built on flexibility, capacity, and risk-taking ability (Sitkin & Pablo, 1992). Nonetheless, the present context necessitated that the firm give more attention to issues of transparency, responsibility, and governance.

Market Perception and External Narratives

However, as the situation developed, there were external narratives that defined the perceptions of the involved stakeholders on the scenario that unfolded. Various financial analysts, media houses, and ratings agencies viewed the situation through their lens, thus influencing how information was disseminated to other markets. Here, perception is not only an objective measure of performance but also an expectation system that is a function of trust and credibility (Fombrun & Shanley, 1990). Negative narratives will only exacerbate the problem, as will delays in the communication of any statement relating to the issue; thus, perception management remains a key consideration for the Adani Group (Coombs, 2007).

Option	Description	Potential Benefits	Key Risks
Aggressive expansion	Continue growth trajectory across sectors	Signals confidence, maintains market position	Reinforces governance concerns, increases scrutiny
Governance reset	Focus on transparency, compliance, and oversight	Builds investor trust, reduces regulatory risk	Slower growth, internal resistance
Selective retrenchment	Divest non-core assets and reduce leverage	Improves financial stability, reduces risk	Market perception of weakness
Global compliance alignment	Adopt international governance standards	Enhances global credibility	Increased operational complexity and cost

Strategic Alternatives

There were a number of strategies that the Group could employ to deal with its problems. Some entailed a tradeoff between growth, governance, and perceptions. Strategic alternatives open to the Group include:

Each of these strategies has its own advantages and disadvantages. Aggressive growth will guarantee continuity and strength in signaling but might exacerbate governance problems. Governance restructuring will improve the credibility of the company but can hamper the progress of the organization. Retrenchment, while providing greater stability for the firm financially, might signal negative perceptions in the marketplace. Global compliance integration will provide long-term legitimacy but will add complexity to the process.

In practical terms, all of these strategies will work if the plan is implemented effectively and meets the expectations of stakeholders.

The Decision

By November 2024, Gautam Adani had to make a significant decision that would require immediate action and have significant consequences for the future. The strategy of the group had to be determined in a matter of weeks because all current projects and investors were depending on what signals would be sent by the leadership. This was not a strategic decision; rather, it was more of a symbolic decision.

An imminent challenge for the collective was how to proceed with an aggressive growth strategy, to show the group's support for the group's ongoing plans, and to illustrate the collective's sustained efforts to improve its resilience and to eliminate the governance reform concerns (Ulmer, Sellnow, & Seeger, 2018; Boin, 't Hart, Stern, & Sundelius, 2016; James & Wooten, 2005). The collective

has two choices: one path is to aggressively expand the organization and provide evidence of the group's resilience but possibly make the organization's governance concerns worse than they are; the other path is to stop expanding the organization and work on the governance reform concerns, which is an acknowledgement of weakness.

"This decision needs to be communicated in the next several weeks because there are many ongoing initiatives, investor expectations, and regulatory obligations connected to whichever direction the group takes next." An aggressive growth strategy may convey a sense of resilience; that the collective is confident about its inherent strengths.

"Conversely, an aggressive growth strategy will indicate support for the culture of the group; however, it will also indicate to stakeholders that the group will not address the emerging governance issues that require reform. The second path is to cease expanding the organization, which will convey institutional strength but may also create the appearance of insecurity in infrastructure industries that are rapidly changing." Each of the possible paths has its positives and negatives regarding the impact on the organization's future growth, on demonstrating resilience or being perceived to be ignoring growing governance concerns, and on creating perceived weakness if the group ceases expanding.

Financial repercussions for making decisions are considered when it comes to future access to capital, borrowing costs, and how much investors would participate in future projects. Given that the Group had been dependent on external sources of funding, it is critical to maintain its relationship with its investors (in both domestic and international markets). In this instance, the business decision made would have also needed to take into account the impacts on various stakeholders while still making an appropriate strategic choice.

Epilogue

The Adani Group continues to be subject to scrutiny from global investment communities and regulators since the emergence of this situation. While there is potential for recovery financially in the future, the institution's credibility represents a much larger issue (Treviño & Nelson, 2021). The question this case study aims to address is:

Whether developing economies can achieve growth and meet the evolving expectations for accountability in their corporate governance structures or whether they should be looking to make a drastic change from their previous strategies.

The answer to this question goes beyond just individual organizations to represent a significant change in how global businesses operate. The case presents no future direction of strategic resiliency with either growth or through transformation as a means to achieve this change.

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Appendix

Additional data supporting case analysis are presented in the following exhibits.

Exhibit 1. Market Capitalization Impact.

Date	Event	Index Value
December 2022	Pre-crisis	100
January 2023	Hindenburg report	65
March 2023	Stabilization efforts	72
November 2024	DOJ indictment	55
January 2025	Partial recovery	60

Source: Compiled by the author based on data from Bombay Stock Exchange (BSE), National Stock Exchange (NSE), and financial reports from Reuters and Bloomberg (2023–2025). Values are indexed for illustrative purposes.

Exhibit 2. Debt Versus Revenue.

Year	Debt (USD Bn)	Revenue (USD Bn)
2020	15	10
2021	20	13
2022	28	17
2023	32	19
2024	34	21

Source: Compiled by the author using data from Adani Group annual reports and disclosures to the Securities and Exchange Board of India (SEBI). Figures are indicative and presented for analytical purposes

Exhibit 3. Geographic Spread of Adani Group Operations Include.

Region	Key Business Activity
India	Ports, logistics, energy, airports
Australia	Mining operations
Africa	Infrastructure projects
Middle East and Southeast Asia	Emerging investments

Source: Compiled by the author based on Adani Group annual reports, corporate disclosures, and subsidiary information.

Exhibit 4. Stakeholder Expectations Versus Risk Exposure.

Stakeholder	Key Expectation	Risk to Firm
Investors	Transparency	Capital flight
Regulators	Compliance	Legal penalties
Employees	Stability	Talent loss
Governments	Development	Political scrutiny
Partners	Credibility	Contract loss

Source: Compiled by the author based on Freeman (1984) and analysis of stakeholder risks in the Adani Group case.