



Richard Branson and the Virgin Group:

No one would be surprised in this country if one morning they go to open their eggs and there's Richard's face emblazoned on the end of each.¹

- David Tait, Virgin Atlantic Air

Branson runs the Virgin Group along financial lines that make the most conservative accountants proud... Certainly, we take him seriously--it's a very sensible strategy.

- Robert Miller-Bakewell
Stock Analyst³

He's simply a symptom of the (Thatcher) era.⁴

- Mick Brown, The London Times

By the year 2000, I want people to speak of Virgin Atlantic as the best airline in the world, of Virgin Records as the best record company, of the Virgin Megastores as the best record shops, and our TV channel as the best . . . a number of the best companies in the world where the staff thoroughly enjoying working. . .

- Richard Branson, Chairman

Company History and Background

As you make your way down London's Oxford Street, a donut trolley emblazoned with the Virgin logo may roll past you. You come face to face with the Virgin Megastore, the largest record store in the world, which dominates one block on the city's highest traffic corner, as it does on the Champs Elysees in Paris, and in Milan, Madrid, Sydney, Tokyo and throughout the U.K. Its imposing street front windows, filled with promotional items for rock, pop, soul, jazz, classical, and R & B artists, don't begin to tell you about the stunning international success of the Virgin Record label: home to Paula Abdul, Phil Collins, Ziggy Marley, Fine Young Cannibals, Steve Winwood and Soul II Soul to name a few.

It is no secret that the Virgin empire stretches from nine recording studios, a network of film, TV production and broadcasting properties and posh private nightclubs in the U.K. to nine Virgin Megastores, six Virgin Atlantic Airways gateways and a chain of luxury hotel properties throughout the European continent, the U.S., Japan, Australia and the U.S.S.R.

This case was prepared by James Figetakis, MBA '90, Jolie Toellner, MBA '90 and Professor John Kao as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Rated by Britain's youth as the third most popular person after Prince Charles and the Pope, 40 year old entrepreneur Richard Branson has piqued the interest of the English aristocracy, earned the respect of a staid business community and, through his daredevil publicity stunts, fed the hearty appetites of the press on Fleet Street as he has built Virgin into the third largest private company in the United Kingdom.² Virgin, with 1989 revenues exceeding US\$1.2 billion, operates in 30 countries and employs over 5,000 staff worldwide. (See Exhibit 1 for financial information.)

The Virgin Organization comprises over 120 operating companies organized across five holding companies: four holding companies under The Virgin Group, the entertainment umbrella that includes Virgin Music, Retail, Communications and Management Group; and one under the Voyager Group, the travel and leisure umbrella that operates Virgin Atlantic Airways, Virgin Holidays, the luxury chain of Voyager Hotels and the network of private Voyager Nightclubs. (See the case "Virgin Atlantic Airways and the Voyager Group" for further details). The company also manages the Health Advisory Foundation that provides free advice on birth control and sexually transmitted diseases. The Foundation markets its own condom line, Mates, and has raised over 30 million pounds in four years, much of which has funded AIDS research and education. (See Exhibit 2 for organizational structure.)

Context: "In Britain, the Best Money Is Old Money"³

The cultural bias of the "self-made" business success as a working class notion heightened risk adversity in Britain because the "best money" was earned in the practice of the professions. In 1987, Inc. magazine reported that the British Venture Capital Association found only 13% of British executives believed that the country's entrepreneurs held a high status while 29% gave them the lowest status.⁴

"Entrepreneurism was a dirty word in England until the last 10 years or so," says Branson. "People were embarrassed about making money. Capitalism, making people compete and strive to improve... is a good thing. But a successful entrepreneur does have more responsibility than just making money in the company. Young people have to look up to us in England. We can use our influence to set examples, like banning cigarette smoking on our international flights...or trying to persuade sexually active people that wearing a condom isn't so terrible."

Branson's Personal History

Branson was born into a family of upper middle class propriety and comfort. The three generations preceding him on his father's side practiced law although his father claims that he simply bowed to family tradition. His mother came from a family of clergymen which together with her strong sense of determination, independence and resourcefulness strongly influenced Branson. Prior to marrying, she had been a classical dancer, an actress on the West End stage, and a "Star Girl," a glamorous airline stewardess in the late 40's flying the first scheduled airline service between Britain and South America. The Bransons lived in rural Devon and took their son Richard and daughter Lyndi everywhere they went. Branson's sister said, "We were a family that would kill for each other."

School bored Branson. His teachers considered him a slow learner--he could barely read by age eight--and he channelled his energy into competitive sports. In boarding school, he was captain of the rugby, cricket and soccer teams. But his highly competitive spirit was still unsatisfied. One teacher said, "It was apparent that his one aim was to get out into the world." His friends remembered him as "a free agent... he fit into no particular group," neither rebel, nor conformist. His high energy level and single-mindedness did not make him a popular person because he wasn't interested in doing what others

demanded of him. "If they fit into his interests, fine, if not too bad."

Most important, however, were his lessons in survival and determination in the face of failure. "My upbringing was to fight, fight, fight, in order to avoid failure. As long as I've done everything I can to avoid failure, I would never have a sleepless night." When asked how he would handle failure, he replied,

"I'm the kind of person who's just as happy hitching around the world as doing what I'm doing. There could be a bright side to failure: I could pack my family up and head off to the Far East for a couple of years. I could have a fascinating few years living off small sums of money and having a whole new experience."

The Virgin Evolution

Branson began his career in 1968 at age 17 when he launched Britain's first youth magazine, "Student," from his boarding school. The opportunity of a growing need for expression among youth and the burgeoning student market led Branson to sell \$7,000 worth of advertising to cover printing and paper costs. Also equipped with a \$3000 loan from relatives Branson claims that "I succeeded because we targeted young people and it was the first of its kind so it appealed to advertisers. This proves young people can start a business without much family help."

But his sense of daring and innovation transcended his salesmanship. Branson unabashedly wrote the most influential figures of the time and succeeded in getting their participation for free in the first issue of "Student": an article by Jean-Paul Sartre, a short story by John Le Carre, interviews with the politically radical actress Vanessa Redgrave and artists such as Henry Moore and David Hockney. The first issue sold 50,000 copies. "I thought it would be a rather good thing for him to learn the difficulties," said his father. "I thought he'd very quickly be forced to stop."⁵ Instead, Branson quit school at the age of 17 to run "Student" full time.

Eyeing an opportunity created by a new British law that legalized mail orders, Branson quickly expanded his venture beyond "Student" into a direct mail-order business for discount rock records. With no capital investment, he waited for the money to arrive from customers before buying the records himself at wholesale prices. Right after he launched the mail order business, a postal strike foiled his strategy. He responded fast by opening up a tiny discount retail record store over a shoe store on Oxford Street, London's rival to New York's Fifth Avenue and Paris's Champs Elysees. It was a cheap investment at the time but extremely well-located and visible.⁶

Rise of Virgin Records

In 1972, a tone deaf Branson at age 22 pooled his money from the retail business and with the help of his cousin, Simon Draper, launched the first Virgin Recording Studio. Known as "The Manor," the sprawling Tudor mansion located in rural Oxfordshire was the first residential recording studio of its kind. Patterned after the concept of a Caribbean Villa, the Manor's unparalleled service, staff and idyllic atmosphere attracted recording artists who sought a private paradise in which to create and record their music.

In 1973, Branson leveraged his growing contacts and unique reputation that the Manor cultivated in order to launch the Virgin Record Label and Music Publishing Company. With a personal

taste for offbeat music, Branson signed dozens of artists including Mike Oldfield who recorded "Tubular Bells," the sound track for the smash movie, "The Exorcist." This success put the Virgin label on the music map since it sold over 5 million copies of the sound track as part of one of the decade's most controversial films.⁷

In 1977 when A&M and EMI records found the shocking punk band Sex Pistols "~~unmanageable~~" after swearing on national television and trashing their offices during a contract dispute, Branson immediately signed them. He thought they were "wonderful . . . my kind of band . . . from the time they started this notoriety."⁸ When their irreverent "God Save the Queen" was banned by the BBC, it enhanced the notoriety of Virgin Records.

In spite of reports that Branson has an eye for spotting trendy opportunities and marketing them into profitable ventures, he denies that he has any gift or formal strategy. "What we've done is simply create things which interest us. When I was young I was interested in being an editor, so I started a student magazine . . . as I started listening to records, I got into music that I liked . . . aviation fascinated me so I got into the airline industry . . . as we get older, old people's homes and funeral parlors will probably come next. It's important to go into areas in which you're interested and can bring expertise because of that."⁹

By 1982, Branson had signed the Human League, Phil Collins, Boy George and Peter Gabriel to the Virgin label. These entertainment activities provided a natural transition in 1983 to create Virgin Vision to distribute films and videos, and to operate in the TV and broadcasting sector. The Virgin Group achieved 1984 profits of US \$17 million on sales of \$160 million and profits continue to grow at a double digit rate. Virgin Records America alone experienced a 50% increase in its 1987 pre-tax profits, to US\$47 million on sales of US\$475 million. Virgin Records, which includes 5 other labels in the U.K., is the fastest growing label in the U.S. in 1990. The Virgin Group recently launched a second U.S. label, Charisma, and projects worldwide revenues in excess of \$1.2 billion in 1990 from its record, retailing, communications and property operations.

When Branson introduced the "megastore," it was a retailing concept uniquely differentiated from other record retailers. In addition to building a retail business, the goal was to increase the record market, of which Virgin already controlled over 10%, and to feed its other entertainment businesses. The nine Virgin Megastores are located in the most posh and high traffic areas of major European, Asian and Australian cities. They sell products ranging from all record categories, compact discs, cassettes and videos to computer games, clothing, books, hi fi accessories and photography equipment. Their product mix targets local tastes and market conditions. The London store for example, takes up 35,000 square feet and employs 180 people. Plans to saturate the European continent with 15 more Virgin Megastores are part of a strategy that respond to growth opportunities offered by the advent of Europe 1992.

The Virgin Group: Financial Strategy

In 1986, Branson decided to take the Virgin Group (Music, Retail and Communications) public in order to fuel growth. Many analysts suggest that his decision not to take the Voyager Group, (specifically Virgin Atlantic) public demonstrated his personal affinity for the airline. When the Virgin Group floated on the London Stock Exchange, TV commercials depicted a pinstriped stockbroker disco-dancing around his City office with the slogan, "From the rock market to the stock market."

When the market crashed in 1987, however, Virgin's stock never quite recovered. Branson's decision to take the company private again in 1988 reflects his management philosophy: "I was tired of facing irate artists across the dinner table complaining about being down by \$255,000 (10). . . . One can run

a private company for the mere pleasure of running it rather than just for the shareholders' short-term interest. When you go public, your shares are diluted next to nothing, you have to put up with board meetings, presentations, and accountants, and you can't really build the company for the long-term. Furthermore, companies should be more concerned about the employees because if you've got a happy staff, then you are going to make a lot of profit. I would never dream of going public again."

Financial flexibility is a Branson cornerstone. In order to help fund going private, he negotiated an 80/20 joint venture agreement with the highly diversified, \$5 billion Fujisankei Communications Group in 1989. Not only did it help Virgin maintain its financial flexibility, but it also gave the Virgin Group immediate access to the Japanese market and minimized its risk in penetrating Japan's convoluted distribution network. Branson attributes the success of the joint venture to the philosophy that he shares with the Japanese based on managing and reinvesting for the long-term.

While he spends time convincing people not to go public and claims that the happiest days of his life are since he took Virgin private again, he does not regret the decision to go public:

"I never regret anything. . . ."

Perspectives from the Organization

Although attempts have been made to formalize communication flows within the company, Branson shows little interest. Says Virgin Communications chairman Robert Devereux,

Richard gets no information at all on a regular basis. He prefers anecdotal information than spreadsheets and numbers. Usually he'll just ring me up to chat and in the middle of it ask, "Well, how's it going?" And I'll tell him it's going well or badly. That's about it.

However, below the Group level there are formal communication, reporting and planning systems. Devereux receives weekly reports from his managers with financial data as well as narrative and anecdotal information. The annual budgets are "very detailed," updated on a monthly basis and prepared with up to two years of forecasts. But strategically, we don't think that far in advance. We're very opportunistic . . . and really take a wait-and-see attitude. In our business, few good ideas come out of long-term theoretical thinking." In fact, Devereux says, "I've had the rule that if numbers confirm your instincts, fine, if not, then check them. Always trust your instincts first."

Moreover, he concedes that Virgin's responsiveness to market opportunities is their greatest strategy. "We have no bureaucracy. If we want to do something today, the decision will be made by tomorrow. That's why we pre-empt the competition." While Devereux has evolved from an entrepreneur to a general manager, he believes that there is one critical role that the senior management plays: ". . . to stop Richard from doing crazy things, big crazy things."

Barbara Jeffries, head of Virgin's recording studio operation, strongly believes that Virgin's culture is designed to empower its employees. She notes that,

Pay levels aside, the working environment is excellent here. The people here have the advantage of working for a small company, for their particular unit. For example, they're all very loyal to the unit they work in—the manor or the Townhouse or their individual studio. They are great mates, they socialize and are very supportive. It's an open door

policy here. People come and go during the day and night as they please. On the other hand, they have the advantage of a big company, all the pension and health care benefits, the job security, the name . . . I hope that never changes!

In spite of Branson's predictably shocking behavior, Jeffries is still not accustomed to his antics after 17 years.

Every time he does a major stunt, we all go into a panic because it is Richard's personality and charisma that has engendered everything. He has always had the attitude that we would always be the best for the best price . . . we're always looking for the next trend, we must stay ahead and be first and if we can't be first we must be the best.

She recalls the beginning of her business in the following terms. "When I started I said to him, what do I have to come to you with and what shall I get on with, and he said just get on with it, and I'll phone you up once in awhile and ask you how it's going, and that's really how it was; and so, it was actually quite daunting--I mean I started at a desk with nothing--and just started."

Virgin is in a position to set up as many new businesses as employees have marketable ideas. For instance, in 1985 a 23 year-old ex bartender employee suggested that they venture into pubs, so Virgin Pubs Ltd was established and this enterprising young lad received shares in the new company.

Branson "ties the knot" with his employees by offering generous profit-sharing and stock option plans. When he hired two senior executives to run Virgin Records America, he gave them each a 10% stake in the business. Simon Draper even traded his 20% stake in Virgin Records for 15% of the parent Virgin Group. "Now he's one of the 50 richest people in Britain," says Branson. "Quite a few people should become millionaires working within the Virgin structure."¹⁰

"Communications"

The company magazine, "Virgin Voices" reads more like a tabloid newspaper than a newsletter from a British corporation. In a recent edition, the communication featured "news headlines" such as:

"Which part of Phil M.'s anatomy recently broke?"

"How did Alvaro A. save a child's life?"

"Can you match the champion golfers to their winning legs?"

Attached to the inside of this same issue is a 45 rpm recording from the band of a Virgin employee that recently won a singing contest at a Virgin "off-site" meeting. The prize was the opportunity for studio time and the chance to "cut a record." In spite of its humor and informality, Virgin Voices is designed to inform Virgin employees about the on-going strategy, new start-ups and issues facing each company.

Syd Pennington, recently appointed joint managing director of Virgin Atlantic Airways, and the first senior manager to be brought in from outside the company, observes:

Richard's method of working is not to work through the normal channels of delegatory power but instead to draw "straw polls of one." This can create irritation and frustration among middle and senior management. He'll meet someone in the hall,

someone on a junior level, and he'll ask, "What do you think of the food?" and they'll respond, "The cottage pies are terrible" And Richard will say, "So the food on the airline is crap!" Or he'll tell people, "If you think of anything, phone me up." And people will phone him up and say "Here's an idea . . ." He carries this big black book everywhere and if someone gives him a good idea, he'll write it down immediately.

Most employees don't have formal titles. There are no job descriptions or procedural guides. Branson refuses to define a company mission, discourages written memos and loathes formal presentations. He believes that social events are the most important channels of communication for employees:

We have big staff parties and weekend retreats into the country. We don't talk business. They just get to know each other. The switchboard operator and the Managing Director . . . get drunk together rather than having to give formal presentations. The most important thing to me is that the people who run the companies realize that the switchboard operator is as, or more, important than the chairman. The people on the front line know what improvement must be made. They must never get frustrated, they must be able to get straight through to me. I like to see myself as "head of the union" so there isn't the feeling that people must go the person above them, and then the person above that one.

Richard Branson: MANAGEMENT PHILOSOPHY

I) "Know the Business and Don't Risk the Core"

The development of the Virgin Group has been through a linked series of investments, which I gather the business schools call vertical integration, but which I call common sense.¹¹

These early linkages, however, required that Branson totally immerse himself before making any new, significant investment. "I took the view that the risk to the company was best reduced by my involvement in the nitty gritty of the new business."¹²

Branson, therefore, initially plunged into every operational, financial, human resource and marketing detail of each new company. When he stepped back, however, he had hired the best talent to carry on the venture. "Don't depend on others to do the diversification and take the risk, but do depend on others to do the job they know."¹³

II) "Avoid Psychological Pre-Commitments"

One of Branson's strengths has been to experiment in different businesses but to know when to "walk away." He believes that there is a fine line between interest and entrancement in a business. He points to the flaw of corporate strategies that force a company to make an investment in a new business due to a particular rate of return or preconceived "plan." The psychological--and emotional--pre-commitment that management may develop in a business may lead to a high risk investment that "bets the company." Branson is objective about deal-making:

Remember there is always another deal. Deals are like London buses--there is always one coming. It is surprising how often the next deal is better than the one you have had to give up with great reluctance."¹⁴

III) "Limit the Downside"

Flexibility and low capital investment are central to Virgin's growth and diversification strategies. Branson has a reputation for hard bargaining when it comes to the financing structure of a new investment. He will typically set up a company that spreads risk broadly and employs all the involved constituencies.

For example, his ruthless negotiations with Boeing knocked down the price tag of a 747 in 1984 to \$28 million and included options to sell it back at a fixed price after one, two or three years if the airline failed. He convinced Lloyds of London to create a special insurance coverage against revenue losses in the event of mechanical breakdowns. He also persuaded British bankers to lend money for the start-up without recourse to the rest of the Virgin Group. He attributes this bargaining power to his "walk away" attitude. "Had we been an airline like British Caledonian or British Airways who 'had to be in this business,' the bankers would have asked for all sorts of security and they would have got it."¹⁵

IV) "Keep It Small and Cheap"

Branson insists on keeping each unit within the Virgin umbrella "small" to promote the entrepreneurial spirit among employees and to be responsive to emerging market needs. For example, the management staff is divided among 16 small houses in northwest London, rather than grouped together in an expensive high rise in the downtown "City" or chic "West End" district. In fact, Branson's home is also his office--an isolated houseboat on the Regent Canal. This grouping, in turn, limits staff numbers to small units not to exceed 100 people, and engenders a loyal family culture and creates a sense of ownership.

Branson's Vision

While Branson envisions building a number of the best companies in the world by the year 2000--the Record labels, the airline, the retail chain and the forthcoming TV channel, size and profit are irrelevant.

Being the biggest company in the world is not an ambition of mine And how profitable the companies are is not enormously important to me. The bottom line is only important to me in that it enables reinvestment and expansion. This creates excitement in the company and creates a product of which the employees are proud. There wouldn't be much point in running the company . . . if the staff weren't thoroughly happy.

Other opportunities include expansion of the video game division, Virgin Mastertronic, from a US\$70mm company to perhaps over \$500mm in the next few years. Meanwhile Virgin has launched its third U.S. record label, plans a pan-European and Australasian roll-out of over 15 Megastores in the next five years and is quickly building leverage in the broadcasting, production, and distribution areas of TV and radio. Last year Virgin acquired a majority holding in Britain's oldest and well-known book publisher, W.H. Allen.

Branson feels the formula for getting into new businesses shouldn't change. The process for developing and executing new ideas is spontaneous, interactive and responsive to market opportunities as perceived by each business unit's managing director. Branson gives full autonomy to his division and country managers to develop new business interests as they see fit.

"Our French managing director is starting quite a few new companies in France. So

he'll just give me a ring and say that he thinks we should do this and that, and I'll say fine, just get on and do it."

Branson has spent much time refining his vision for the Virgin organizational structure.

"We can run 1,000 little trees. As long as you give people the freedom to run the company as if it were their own . . . so long as they have a stake in the company . . . and as long as you keep the philosophy of limiting the unit to about 70 employees, it doesn't get clumsy or out of control. You have a nice environment for people to work in, you have people dress as they feel comfortable, people turn up late, but nobody mentions it because they know that it's their responsibility to stay late . . . they develop their own sense of accountability and duty."

Branson admits however that one of the greatest challenges facing him as he looks forward, is the ability to cultivate the company of "1,000 trees" without losing the sense of intimacy and familiarity that pervades the Virgin culture. This is especially critical in his role at Virgin Atlantic.

"I have to keep going to every 'Wings Ceremonies' for (newly-graduated) flight attendants . . . to be accessible to the customer who has an idea . . . or to the employee who rings me up directly who has a problem or suggestion. If it's not a phone call, then its letters. On any one day I may get 200-400 letters, many are new ideas . . . and I try to personally respond to them."

So what other challenges keep Branson awake at night as Virgin crosses the threshold into a one billion dollar company? All eyes around the world will soon be looking up at him as he glides around the globe in another hot-air ballooning spectacular. Some will be waiting for his return, anxious to see how he will position his organization in order to fulfill his goal of building the world's best airline, record and broadcasting company. Is a new infrastructure needed? Will the culture change? How big can the company get? What skills are necessary? How far should the brand be extended before it risks dilution?

Devereux expresses some of these concerns in the following terms,

"How can we retain the spirit of enterprise and smallness and still get bigger?... Our small company approach is vital to Virgin for two reasons: one, it's how we have attracted and retained the best staff here; and two, it's important in the success of developing and marketing our products.

How can we make sure the Virgin brand, that magical brand, and the value of the brand is maintained as the company grows, and the magical element that Richard Branson himself has put in is not dissipated. The ultimate challenge is trying to keep the Virgin feel and the uniqueness of Virgin while being a major player in many different marketplaces."

But Branson remains sanguine. As he puts it,

"I don't allow anything to keep me awake. I think life's too short to start looking over what might have been. I always look positively forward and look for the good things in life and the good things in people."

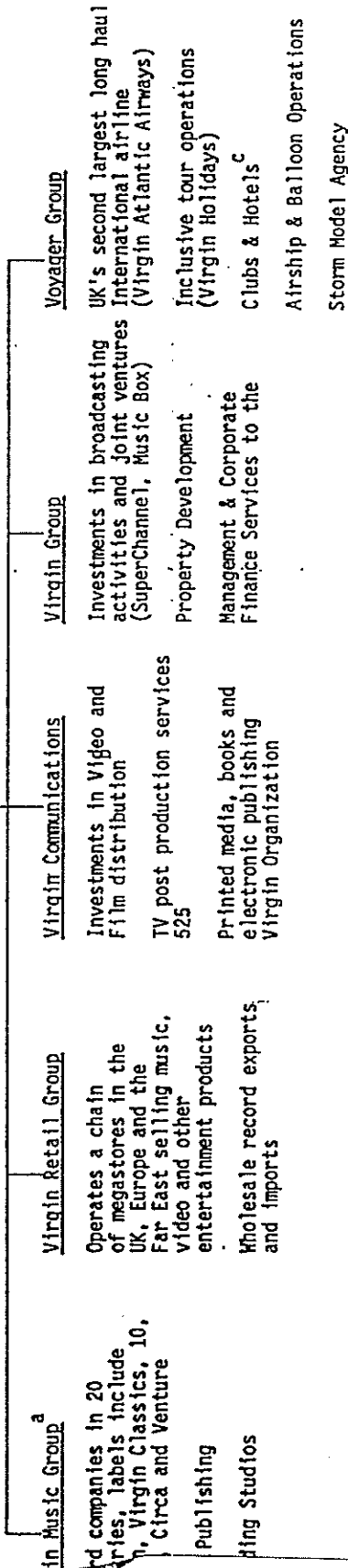
And what if the balloon goes down? Branson says,

"If that happens, the kind of people we have running all the companies would take the ball and run . . . sadly, I think they wouldn't even miss me."

Exhibit 2

The Virgin Organization

consists of 5 separate holding companies involved in distinct business areas from music, media and publishing to retail travel and leisure. There are over operating companies across the 5 holding companies in 30 countries worldwide.



Sankei Communications Group of Japan has a 25% equity investment in Virgin Music Group which is the sixth largest record company and largest independent in the world.

Virgin Communications owns 25% of MCEG a quoted U.S. company which acquired Virgin Vision in 1989.

Virgin Hotels is a 50:50 joint venture with John Laing PL.

Main Operating Companies of Each Holding Company

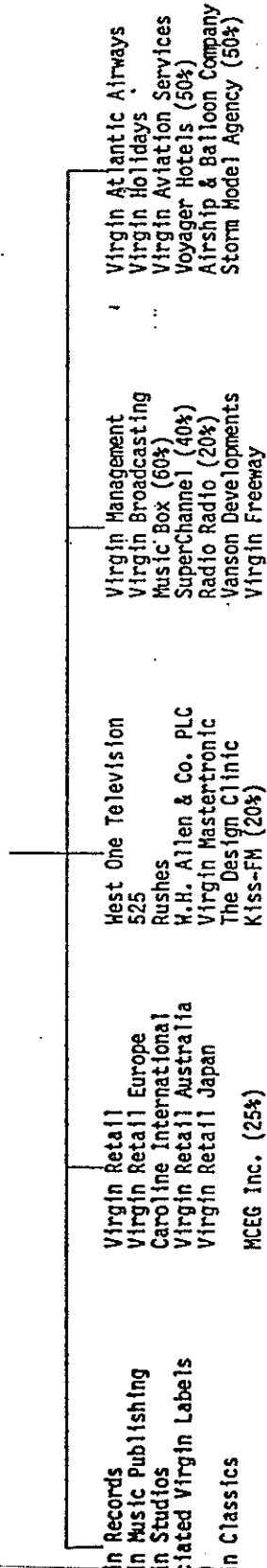


Exhibit 1

Virgin Group Financial Results

<u>Year</u>	<u>Revenue</u> ^a
1984	160
1985	235
1986	408
1987	576
1988	508
1989	1,022
1990	1,224 (Projected)

Source: Virgin Group.

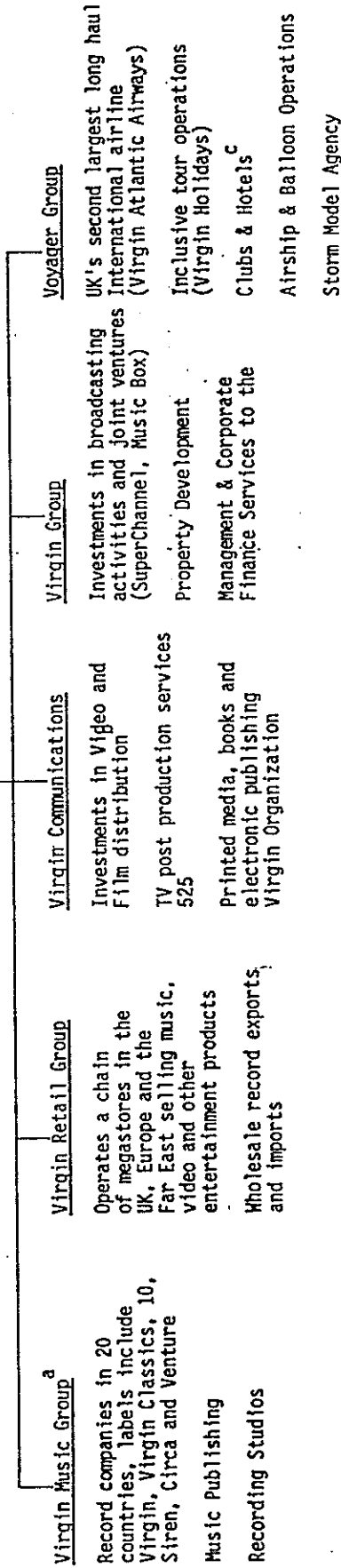
^aConverted from UK currency at 1.7 average rate.

This growth in revenue has hugely been achieved through organic growth with no major acquisitions. Virgin is now the third largest private group of companies in the UK.

Exhibit 2

The Virgin Organization

Virgin consists of 5 separate holding companies involved in distinct business areas from music, media and publishing to retail travel and leisure. There are over 120 operating companies across the 5 holding companies in 30 countries worldwide.

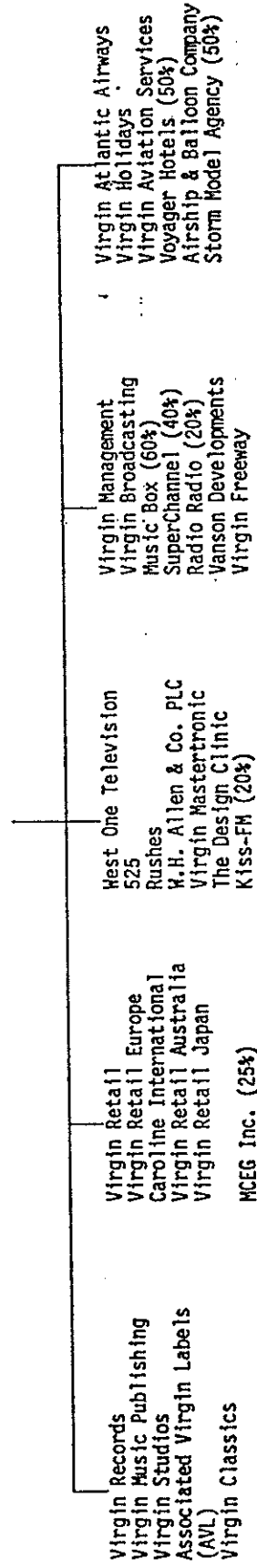


^a Fujisankel Communications Group of Japan has a 25% equity investment in Virgin Music Group which is the sixth largest record company and largest independent in the world.

^b Virgin Communications owns 25% of MCEG a quoted U.S. company which acquired Virgin Vision in 1989.

^c Voyager Hotels is a 50:50 joint venture with John Laing PL.

Main Operating Companies of Each Holding Company



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TEACHING NOTE:

1) HOW HAS BRANSON BEEN SO SUCCESSFUL?

MANAGING PARADOXES

The flamboyant nature of Richard Branson and his ability to manage a mature business in the most entrepreneurial way has been a historic achievement. Enigmatic as he may be, this paradoxical approach has been the key to his success; his balance between delegatory and controlling, creative and disciplinary, conformist and iconoclastic, cautious and impulsive has become a winning combination.

In building Virgin into a billion dollar company, Branson has been able to manage the seven classical paradoxes most entrepreneurial firms encounter:

STRUCTURING CREATIVITY

- o Personal daredevil style and stunts
- o Creating small organizational units
- o Only going into businesses that interest him
- o Giving his employees creative freedom
- o Delegating operations to give himself creative freedom
- o Bottom-up culture

BALANCING ENTREPRENEURSHIP & MANAGEMENT

- o Strong financial controls and loose communication controls
- o Being surrounded by professional management talent
- o Small organizational units
- o Staying close to the customer

HANDLING HUMAN DIVERSITY

- o The core target market of trendy consumers spanning the gap of several generations
- o Only diversifying into geographic and business areas that are in tune with the culture (L.A., Tokyo, entertainment, travel, etc.)

MARKETING CULTURE

- o By Branson totally immersing himself in each business, he totally immerses each business with his style
- o Hiring people that fit in the existing environment
- o Creative communications to employees

- o Relaxed and informal work environment
- o Marketing himself as an "institution" - helps build company image
- o Staying very visible through business activities and dare-devil stunts

MANAGING PEOPLE SYSTEMS

- o His core of "Generals"
- o Stock options and profit sharing
- o High trust and family relationship with employees
- o Giving people opportunities to grow

CONTROLLING GROWTH

- o Creating joint ventures to limit exposure
- o Splitting off businesses if they become too large
- o Knowing when to walk away
- o Knowing the business and not risking the core
- o Buy vs. Make strategy

COORDINATING INDEPENDENCE

- o Branson's style of delegating yet staying involved
- o Keeping the organization lean
- o Tight financial controls yet loose management structure

- 2) **HOW SHOULD VIRGIN MANAGE GROWTH FOR THE FUTURE?** i.e. to achieve Branson's goals of having the best airline company, record and broadcasting company in the world...

-STRUCTURE

Can the company expand indefinitely by spawning these little organic units....or will he have to put larger organizational structures in place to support the airline, etc.

-SYSTEMS

Will they need more formal controls and communications between divisions...i.e. will Syd's idea of Virgin "Opportunities" controlling the Brand and new business ideas, be the kind of formal systems needed, or will things like this stifle the entrepreneurial culture?

-PEOPLE

Will it be necessary to bring in more professional managers from the outside...if so, what will happen to the home grown approach...can these new people (Syd) adapt to this culture..can you mix virgin old school and Virgin new school?

What kind of person can work with Branson....who manages who?

If new managers are not brought in, can the old managers continue to grow the company....do they have the skills as the markets get more mature..and the rules of the business change..

Can they continue to pay people 20% below industry average?

-STRATEGY

Brand: How far can the brand be extended without being diluted...

Markets: Is Branson's success and strategy transferable to the Japanese and US markets that they so desperately need to grow..or did his antics only work in his home country?

Can he grow in the entertainment without being BIG?
Can he really be the best?

Now that he went private, does he have the flexibility to invest for the long term or is he covering up mismanagement?

3) IS THERE LIFE AFTER BRANSON?

-WHAT KIND OF PERSON WOULD BE ABLE TO TAKE HIS PLACE AND CARRY OUT THE VISION?

Consensus is that the record company could continue to grow but the airline would suffer. Also, since many people are under paid, maybe they would lose certain generals that are just there out of loyalty to Branson.