Case Example: Stelios Haji-Ionnou and the easyGroup

There is no such thing as bad publicity – or so it would seem for easyJet. Despite a weekly television documentary charting the day-to-day operational difficulties of Europe's biggest low-price airline, on November 26th 2002 the company beat the expectations of City analysts and registered record pre-tax profits of £71.6 million in the year ending September 30th, 2002 – and this despite a £374 million takeover of rival airline Go Fly. The company, which was founded in 1995, is the brain-child of Stelios Haji-Ionnou, a Cypriot born in 1967 who graduated from the London School of Economics in 1987 and obtained an MSc in Shipping, Trade and Finance from City University Business School a year later. On leaving University, Stelios joined his father's shipping company, Troodos Shipping, and in 1991 was charged with manslaughter when one of his company's tankers exploded off the coast of Genoa, spilling 50,000 tons of crude oil and killing 5 crewmen. Fortunately he was acquitted but the experience reputedly only made him stronger and more determined to establish a well-run business that people would like. In 1992, at the age of 25, he established a successful shipping company, Stelmar tankers. Then, in 1995 he decided to break away from his family's line of business and established easyJet with a £5 million loan from his father. Starting with two leased aircraft he has built the company into Europe's biggest low-cost airline with a value of more than £1 billion and almost 30 million customers. He has done this by controlling costs, undercutting rivals and filling seats. To do this, he has taken advantage of the opportunities afforded to him by the advances in modern technology and cut out the "middleman". Instead of customers booking through travel agents, they were able to book direct with easyJet, using the internet. Since then other airlines have followed suite but, initially at least, easyJet was able to undercut them by cutting out the travel agents.

As a consequence Stelios sees himself, like Sir Richard Branson, as the consumer's champion and City analysts are reputed to agree. Similarly, like Branson, he has proved himself to be a self-publicist with an eye for "grabbing the limelight". For example, when the BA-owned low-cost airline, Go, was launched he booked himself on the maiden flight with nine of his staff, all of them dressed in easyJet's distinctive orange boilersuits. To add insult to injury Stelios then went on to buy the company in August 2002!

Also like Branson he is not content with just one business and in 1998 he established the easyGroup. While the easyGroup may have a long way to go to match the number of businesses in the Virgin empire, the brand is already one of the most well-known in the country, embracing airline travel, car hire, internet cafes, free e-mail services and online financial services. Unlike Branson, however, Stelios has focused on the company's core competences and avoided areas with which he is unfamiliar. Thus, having harnessed the internet to drive his airline business, he set up an international network of internet cafes enabling people without computers to gain easy access to the technology. This was followed by easyCar, a low-cost car rental company which in turn is being followed by easyCinema and easyDorm. The former is a proposal to develop 300 low-cost cinemas across Europe over the next 5 years, starting in the UK early in 2003, while the latter is a plan to sell hostel-type accommodation for £5 per night. However, this is unlikely to be the end. Stelios is committed to expanding the company. He has set up a department dedicated to collecting and evaluating new ideas and openly encourages people with ideas that fit with the easyGroup ethos to submit them to him, making it clear that the company is not interested in investment opportunities, but may wish to exploit new ideas (www.easygroup.co.uk/newideas). Interestingly, he is reputed to have registered hundreds of trademarks combining "easy" with another word and has vigorously attempted to prevent others "cashing in" on the "easy" brand. For example, in November 2002 he required a small aircraft company called Easy-Rentaplane – a name that the easyGroup had not registered – to change its name at a cost of £5,000. His argument is that any business formed after June 1999 using "easy" in its name is profiting from the "easy" brand.

Although each of the businesses is a separate entity, operating independently of each other, concern has been expressed that, in its quest for growth, the group was losing focus. In an attempt to reassure City analysts, Stelios announced, in September 2002, his intention to step down as Chairman of easyJet, purportedly to concentrate on his other, more recent interests. However, it has been reported that his decision followed pressure from major shareholders, including the Co-operative Insurance Society, which wanted to see him less closely involved. Thus on 26th November, 2002, easyJet announced that the founder of the company, who owns 22 per cent of the shares and claims he has never drawn a salary or claimed expenses from easyJet, was replaced as Chairman by Sir Colin Chandler, the 62 year old former non-executive easyJet deputy chairman and chairman of Vickers Defence Systems, a subsidiary of Rolls-Royce Plc. Sir Colin had joined easyJet's 10 man Board of Directors in April, 2002, joining a team comprising:-

- Chief Executive, Ray Webster (56) who joined the company in 1996 as Managing Director after 27 years experience of the airline industry with Air New Zealand. He was appointed Chief Executive in 2000.
- Finance Director, Chris Walton (45) who was appointed to the post in 1999 after 13 years working in finance and commercial capacities for Qantas, Air New Zealand, Australia Post and Australian Airlines, as well as strategic planning with British Petroleum (Australia)

and non-executive directors

- Colin Day (47) chief financial officer of Reckitt Benckiser Plc,
- Amir Eilon (53) formerly of Credit Suisse First Boston Private Equity Group
- Nick Hartley (65) a free-lance consultant and former Managing Director of BP Southern Africa and BP Shipping
- Tony Illsley (46) previously Chief Executive of Telewest Communications Plc prior to its merger with Flextech Plc
- John Quelch (50) Senior Associate Dean at Harvard Business School
- Diederik Karsten (45) the former Chief Executive Officer of KPN Mobile, N.V.

Thus Stelios had built around him a strong, experienced team that was complemented by an equally experienced management team responsible for the day-to-day running of the company. Excluding Webster and Walton this comprised

- Director of Transformation, Ed Winter (55) who joined Go during the start-up and was chief operating officer until the merger with easyJet. He is responsible for integrating the two operations.
- Director of Human Resources, Graham Abbey (36) who, prior to joining easyJet in March 2002, was HR Director for Europe, the Middle East and Africa with the publishing and media group, Pearson.
- Director of Business Development, Mike Cooper (38) who joined easyJet in May 2000 from ICI where he was marketing manager for the paints division.
- Director of Operations, Vilhelm Hahn-Petersen (42) who, prior to joining easyJet in 1999, was Chief Executive of FLS Aerospoace Ltd.
- Director Sales and Marketing. David Magliano (39) who joined easyJet from Go where he was also Director of Sales and Marketing.
- Director of People and Customer Service, Dominic Paul (31) who was also brought in from Go when the companies merged.

It is this team, named “Top Management Team” for 2002 in the annual British Telecom awards, that has steered the company to the record profit levels it reported in November, 2002. As Stelios has recognised, apparently, things are now going so well at easyJet that his presence is superfluous. The City is littered with company founders who have held on to their creations for far too long. It would seem that Stelios, who entered the Guinness Book of records as the world’s youngest international scheduled airline chairman, has recognised this and, at 35, GQ Magazine’s “Entrepreneur of the Year” for 2001 is moving on to fulfil his role as a serial entrepreneur.

Case Example Exercise.

Read the cases of Sir Richard Branson and the Virgin Empire in Chapters 5 and 9 respectively. Compare Branson and Stelios and the Virgin and Easy groups. What similarities and differences can you identify?