

The House that Branson Built

Teaching Note

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This teaching note was written by Manfred F.R. Kets de Vries, Raoul de Vitry d'Avaucourt Professor of Human Resource Management at INSEAD as an aid to instructors in the classroom use of the case *The House that Branson Built: Virgin's Entry into the New Millennium*.

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Case Material

The Branson's Virgin case is part of a package that has the following sections:

- 1) The House that Branson Built: Virgin's Entry into the New Millenium (29 pages).
- 2) Virgin: Entrepreneurship in Action (a video interview with Branson, Trevor Abbot, and Robert Devereux) 35 minutes*
- 3) Virgin: Entrepreneurship in Action (shorter version of the previous video interview) 18 minutes*
- 4) Teaching Note

*Note: The two videos were produced in 1995 and are therefore dated. The commentary of Branson on the video, however, is still very relevant and will enrich the case discussion.

Key Words

Richard Branson; Virgin; entrepreneurship; leadership; brand management; venture capital firm; succession

Abstract

The case study *The House that Branson Built* provides an opportunity to explore the person-organisation interface. From a developmental point of view, it examines the making of an entrepreneur. The case also allows for an exploration of the vicissitudes of leadership. It looks at effective leadership in the context of a high performance organisation, and finally, incites discussion about planning for the future of an entrepreneurial organisation, in particular the use of a brand to enter new, unrelated markets.

Teaching Objectives

The case focuses on leadership in a creative, entrepreneurial organisation. Virgin has made many brilliant moves and weathered spectacular setbacks. The case offers insight into these and other management issues that have come to the fore in Virgin's history. Among them are the transition from entrepreneurial to more conventional, "systematic" management; the formulation of strategy for, and the management of, rapid growth around stretching of a brand, particularly expansion into unrelated areas and expansion overseas; the management of strategic alliances; the development of a corporate culture centred around youth and informality; a preference for promotion of insiders who "fit" rather than outside candidates;

the management of creativity; and the transition from a private enterprise to a public company and back again to private.

The case also examines the basic issue of the future of the Virgin Group, with or without Richard Branson. Can synergy, which is so dependent on the integrative capacities of the key players, be retained between the various parts? As the company moves into new ventures far removed from the original core businesses, what will the impact be on the Virgin brand name? Most importantly, what would happen to the Virgin Group if its charismatic chairman were no longer associated with the company?

Background

The Virgin Group, led by its founder and CEO Richard Branson, is one of the most successful and visible companies in the world. Virgin is now one of the top five brand names in the UK. Branson himself has become an international celebrity, the subject of numerous profiles in gossip magazines, the business press and television programs. In the UK he has achieved folk-hero status and is frequently cited as a role model for young people wanting a successful business career. A survey in 1998 named Virgin as second only to the BBC as the employer of choice for UK graduates. He has become one of Britain's richest people (before the age of forty), running an empire that encompasses travel (Virgin Atlantic), communications (books, radio and television stations, computer/video games), retail (Megastores), railways, financial services and hotels. (The highly successful music division was sold in 1992 but restarted later as V2.)

Virgin has made many brilliant moves, from signing Mike Oldfield (of Tubular Bells fame) to taking on the world with Virgin Atlantic Airways. The group has also weathered spectacular setbacks, beginning in the early days with Branson's brief imprisonment for tax fraud, and later when the company went public, then private again within two years. The years around 1992 were also a difficult period during which the airline was draining the organisation's resources, prompting the sale of the music business. However, the comeback and expansion of the Virgin Group in the late 1990s has been impressive. Virgin now has a foothold on the internet with Virgin Net and Virgin.com; and Virgin Atlantic has entered into an ambitious partnership with Singapore Airlines. Most importantly, Branson is trying, with the new Virgin Charter, to create more focus for the company. From its inception until recently, Virgin was a very loosely-linked group of companies under a brand name umbrella. As such, it was an organization without any obvious synergies. The development of the Virgin Charter is evidence that the company is starting to think more on a manifest level, with the explicit goal of tying the organization together by defining the common values and the strategic complementarities shared by all the companies in the group. Virgin is on the verge of a new transformation.

What sets Virgin apart from other successful and visible organisations is Richard Branson himself. Branson has had no formal business training; his management style is more or less an extension of his personality. A case study of Virgin would be incomplete, therefore, without an examination of the man at the heart of the organisation. How does Branson's personality affect his organisation? How did he become an entrepreneur? How has he managed to avoid

the pitfalls of entrepreneurship: narcissism and hubris? An examination of these basic issues will serve to enrich the discussion of the key issue of excellent leadership in an innovative organisation like Virgin.

All the evidence suggests that Branson does not have the usual albatross which goes with entrepreneurship hanging around his neck; he does not seem to be overly preoccupied with control and appears to be capable of delegation. However, he is certainly no stranger to narcissistic needs, as the wave of publicity focused on his person indicates. But his “grandiose” needs seem to be well within reasonable, functional boundaries. In maintaining his balance, his wife, old friends, and selected family members play an important part.

Branson is regularly cited as a role model by young people who hope to be successful in business careers without having to compromise their personal ethics. Branson’s charisma derives mainly from his personal warmth and obvious liking for people, which is felt by most who meet him. He is a unique combination of energy, originality, shrewdness, and last but not least, luck.

It is often through sheer perseverance that Branson has prevailed against the odds. If something “feels” right to him he concludes it’s probably worth doing and commits himself to it until the project is accomplished. This does not mean that he rushes headlong into ventures without first analysing the risk. On the contrary, he has developed his own framework, intuitive as it may be, for evaluating new ventures and their attendant uncertainties.

This quality gives a Janus face to his behaviour. Branson is warm, relaxed, friendly family man, but at the same time an extremely competitive workaholic who can be a very tough but brilliant negotiator. That his public persona may confuse people is well illustrated by the comment of Lord King, the former Chairman of British Airways (who was forced to admit to “regrettable incidents” concerning Virgin Atlantic Airlines) that he had underestimated Branson because he had a beard and wore a sweater rather than a suit.

Branson’s personal philosophy is, “Life is short, one has to make the most of it. Thus do things that you like. If your work and your hobby are the same, you will work long hours because you are motivated.” Much of this philosophy is reflected in the way he sees his role as an organisational architect. His philosophy of management has proved to be highly effective: his sprawling business empire is an impressive achievement. In spite of all the hype, Branson’s leadership style and the manner in which he manages the Virgin Group warrant serious attention. His story is a fascinating tale of high-performance leadership that provides unique insight into the nature of the person-organisation interface.

The case also examines the basic issue of the future of the Virgin Group, with or without Richard Branson. In spite of Branson’s phenomenal success, a number of people have expressed concern about the future of the company, and just how long it will be possible to control this increasingly scattered empire. There are concerns that Branson’s daredevil nature could put Virgin at risk. And although he denies it, at times he seems to have a kind of “death wish” given the nature of his activities. Will his leadership style eventually become dysfunctional? Most importantly, what would happen to the Virgin Group if its charismatic chairman were no longer associated with the company? In 1999 Branson seemed to acknowledge some of these concerns. For the first time he brought together all of his senior

collaborators and managing directors to discuss the way forward as an integrated group rather than a portfolio of stand alone businesses, a notion that runs counter to his approach over the preceding decades. A “Charter” was produced and discussed and the case contains Branson’s introduction to this. Whether this new departure will change Virgin fundamentally is yet to be seen.

Analysis

Branson: The CEO

The Virgin Group has developed from an alternative mail order record company founded in the late 1960s to a successful, diversified conglomerate. Much of its success can be attributed to Richard Branson, who has brought energy, imagination, creativity, determination and opportunism to the company and forced it to grow. The company culture is very much an extension of his personality in that it is young, or at least young-at-heart, and hard-driving, yet at the same time, friendly and informal. Branson’s impact is acknowledged by senior managers and long time employees.

Virgin is also very much market led: employees at all levels are encouraged to be constantly on the lookout for ways to exploit changes in the market, and Branson himself regularly initiates new projects. Given its orientation, it is not that farfetched to compare Virgin to a venture capital firm.

A number of events stand out as critical in the history of the company. First, there was the arrival at Virgin of a distant cousin, Simon Draper, later known as “the man with the golden ears,” who proved to be extremely adept in selecting successful music groups (Branson is tone deaf.) The signing of Mike Oldfield in 1973 gave the company the means for long-term survival and the funding for diversification—indeed, one wonders whether Virgin would exist in its present form but for him. The years 1980-81 were the next important stage and represent another turning point. One could characterise the period prior to 1980-81 as the entrepreneurial or unstructured and informal stage. From 1982 on there was clearly an attempt to create some form of structure, develop strategy and professionalise management, which made the group ready for the public flotation in 1986. In this period Don Cruickshank, an ex-McKinsey consultant, played a key role as a liaison with the City. Fortunately, this coincided with the success of Boy George and the Culture Club, another critical element, which provided the necessary funds to counteract the disasters of 1980-81 and created the base on which the new approach could flourish. Being a public company was difficult for both parties leading to one of Britain’s largest buy-out to date, with almost all members of Virgin management buying back company shares, thus making it a private company once again. The start-up of an airline and the sale of the Music division to EMI can be seen as other important events in the history of the company.

In many ways, Branson has designed a vanguard company that will be a model into the 21st century. In his company, the statement, “People are our greatest asset” is not just lip service to impress the general public; he really believes it. His business maxim is, staff first, customers

second, and shareholders third. He is of the opinion that his employees should be given top priority and has consequently created a friendly, egalitarian, non-hierarchical, family-like atmosphere in all of his companies, an ambience in which people have *fun* and enjoy themselves – all without losing sight of commercial realities.. In making that happen, Branson tries to *motivate by example*. For instance, once a year he gives a big bash at his family home in Oxfordshire to which every Virgin employee is invited. In his opinion, people who have fun at work will be more effective in dealing with their customers. And, in the end, such attitudes will benefit everybody.

Another central point of his corporate philosophy is “*Small is beautiful.*” Branson likes to preserve a *creative, entrepreneurial atmosphere* within Virgin; he truly believes in being “a lean, not mean, flexible machine” and that size and creativity are often inversely related. Branson believes in the “*amoeba-like*” organisation: when a company gets too big, it is time to split it up into several parts, otherwise people lose their sense of identity and no longer have a *feeling of ownership*. He has created organisations in which each of his companies have strong managing directors (helped by strong financial officers) who enjoy considerable licence to run their operations. The Virgin Group has also a *keiretsu* quality: a structure has been created at Virgin whereby it interacts with more than 500 small companies that operate quasi-independently but are interlocked in a collaborative world-wide network. Whether the notion of the “Charter” will blunt this autonomy to the detriment of the group is still to be seen.

This system gives Virgin employees scope to come up with new ideas and projects. Branson is prepared to give the ones with interesting projects seed capital to start new ventures, since he doesn't want his entrepreneurial people to leave Virgin and start something somewhere else. Even where these projects have modest scope, they are symbolic of the *can do culture* that Branson wants to create. Branson prides himself on the fact that, by giving key players in the company a *piece of the action*, Virgin has created a number of millionaires. On the other hand, Virgin can be parsimonious; salaries for the majority of Virgin employees are not generous compared to other companies.

Another of Branson's key concerns is to give his *customers value for money*. He is very aware that, despite all the bells and whistles Virgin offers, his customers will go elsewhere if they are dissatisfied. Whatever business Branson enters, he seeks not necessarily to be the biggest, *just the best* -- and he will go to great lengths to do so. He is always on the lookout for new ideas. His real talent is “reframing” situations where customers get a rough deal. In developing ideas, Branson is very opportunistic, always prepared to engage in “*creative adaptation*,” readily adopting best practices from other companies. To cite him: “Don't be a pioneer. Follow the leader.” He has been an adamant opponent of the “not-invented-here-syndrome.”

A basic tenant of Branson's philosophy is the *constant drive for change*. He realises that companies that resist change will not survive. In his opinion everything is possible if one wants it badly enough. And Branson has instilled his love for challenge in many of his employees. His readiness for action is reflected in the way decisions are made at Virgin: *fast decision making* typifies the organisation: “We can decide something in the morning and have it in operation in the afternoon,” claims Branson. Decisions are made in a highly *informal* fashion; the company is *anything but a paper factory*. Memos are not the communication tool of choice. The telephone is a major instrument used in decision making.

Branson has a secret fax number accessible to all top managers, at which he can be reached 24 hours a day.

Although Virgin has a central, sophisticated data processing department to maintain the information flow, the company also depends on “*softer*” *systems*, in the form of cultural values. Employees internalise the do’s and the don’ts of what is considered acceptable behaviour, and since many employees have worked for Virgin for a long time, fewer controls are needed. Virgin is a company in which *good corporate citizen behaviour* -- like the willingness to help, preserve, and protect the organisation -- is a key value.

In keeping with Branson’s dislike for bureaucracy, Virgin has *no real head office* as typically understood. After using his houseboat as an office for many years, Branson now works in a London townhouse. Likewise, many of the traditional perks that other top industrialists see as a *sine qua non* are not for him. For Branson, there are no big cars, no chauffeurs, no private clubs, no expensive clothes. He usually wears jeans and an old sweater (with no tie), an *informal dress code* that has spread inside the company.

Branson is a strong believer in building a business through *organic growth* rather than the acquisition of companies. “Acquiring” people en masse comes with too many problems—culture integration being the major one. Growing and starting new companies enables him to *stretch his own people* and he enjoys providing opportunities to his employees. In contrast to many other entrepreneurs, Branson’s orientation is not short term: he aims to *build balance sheet value*. In operating the way he does, he has created the “authentizotic” organization—a high performance company where people feel truly involved and committed, prepared to go the extra mile.

Branson’s love of sports and the associated challenge is clearly transposed into business situations. He will immerse himself totally in a new company to get it started before handing it over to his managers. New project make him feel alive—it gives him a sense of “flow.” Unlike many entrepreneurs, however, he does not have an overwhelming need for continuous control of detail. This is demonstrated by his capacity to operate from his houseboat or townhouse, remote from the daily operational problems of the group yet maintaining strategic control. Moreover, he has the ability to *delegate power* to his senior managers with the framework of an agreed plan of action (although he is tempted to interfere on occasion when his imagination is fired by a new idea). Branson is certainly no stranger to bypassing the traditional lines of authority. In general, however, we can see how he oscillates between detailed involvement in a start-up situation and withdrawal to his town house once the launch has been successful. This type of behaviour allows him to maintain both operational and strategic views of his company.

Branson: The Person

The key to Branson’s success is to be found in his family background. It has been argued that the family is the first model of organisation we encounter and that developmental experiences can have a lasting effect. This is obviously the case for Richard Branson. The experiences he had while growing up have coloured his particular philosophy of management. Branson’s mother encouraged her son’s self-reliance and competitiveness, convincing him that he would

be able to do whatever he set his mind to. She not only taught him the value of money, she was also the family's role model for entrepreneurship. Branson says that she was the one "who would come up with one mad idea after another" to help out at times when, in the early days, the family's financial situation was precarious. Branson learned at a young age how to haggle and make deals, a talent that would serve him in good stead in many of his later business transactions.

We can assume that Branson's "operational code" was reinforced by his father's experience of being forced into a career as a barrister by his own father, who also opposed his son's decision to marry before finishing his studies. When Branson's father went ahead anyway, his allowance was cut off. To make ends meet, Branson's mother had to engage in many entrepreneurial ventures. One can speculate that Richard's grandfather was *symbolically* an "oppressor" figure in the family. Richard Branson's father may have encouraged his son to make his own choices as a result.

The career of his grandfather, Sir George Branson, a high court judge, must have made an impact on the fantasy life of young Richard. His visits as a boy to the Chamber of Horrors in Madame Tussaud's waxworks, where some graphic displays of murderers hanged by his grandfather could be seen, may have nourished a wish in him to become as successful and powerful. (A distant family relationship with Scott of the Antarctic may have contributed to fantasies of being some kind of explorer).

Branson's particular family constellation explains his willingness to take up any dare, and accept whatever challenge he encounters. Continuing challenge makes him feel alive. His parents also believed in looking out for the underdog. (After all, that was the role that they found themselves in vis-à-vis Sir George Branson.) As a result, Branson is particularly willing to take on strong opponents if he sees a chance to set the world right, and he is often involved in social causes. This David-Goliath theme is a clear pattern that runs through his life. The theme of Robin Hood robbing the rich to help the poor must have stimulated his imagination. (Later, on some occasions, he would even dress like Robin Hood). Finally, his positive family experience undoubtedly encouraged his playfulness. Branson is somewhat of a prankster, with a good sense of humour, and a desire to have fun.

The core themes in his internal theatre most likely have something to do with being an explorer and "doing your own thing," remaining independent and being daring—that is, controlling your own destiny, challenging the establishment (perhaps symbolically, grandfather.) Again his mother's influence must have been substantial, as an independent and daring person in her own right. Her career (she was both a dancer and an air stewardess on the first scheduled air service over the Andes) is indicative of her own drive and ambition. It is interesting to note that Branson's emotional investment in the airline is partially due to his mother's influence. On one occasion, he showed the author of the case a picture of a woman dresses in old fashioned stewardess uniform. On the photograph was written: "From an old virgin to a new virgin, love your mother!"

Richard Branson is still motivated by a good challenge. After having built up his empire, he continues to lead the Virgin Group in a daring drive for expansion, taking on one established industry after the other. He loves to shake up what he calls "fat and complacent business sectors," like a David fighting the Goliaths of the business world. Although he likes to take

risks, he does not do so excessively. Having made costly mistakes a number of times in the past, he is very careful about *managing risk* and is prepared to walk away from a deal. His guiding principle is that there is always another one on the horizon.

Richard Branson likes to be in control of his interests. His shareholdings are invariably held in off-shore trusts. In 1986, Virgin went public, a move that forced the company to become more disciplined in its management practices. In 1988, however, Branson bought back these shares and the company was re-privatized. The stated reason was that Branson did not like the scrutiny of the stock market and felt that the City was only interested in short-term results. In his opinion, it had consistently undervalued his company. At present, as a private company, Virgin's partnerships with companies around the globe have now become the primary source of financing for future growth. Branson's preferred form of partnership seems to be a 50-50 joint venture, the argument being that partnerships are like marriages: since they are based on trust and one has to keep working at them to make them satisfactory, they should not be easy to exit. Whatever the commercial arrangements, the protection of the brand name will be central to the point that, in recent times, Branson has resorted to the law to restrain his partners if he believes that damage is possible.

Richard Branson spends time looking for new ideas and opportunities. After committing himself to a new venture, he immerses himself in it until he feels he thoroughly understands the ins and outs of the business. He becomes involved in the selection of the key players, then hands the business over to a good managing director and financial controller. Another important part of his job as Chairman of the Virgin Group is the promotion of the Virgin name to potential customers, partners and the world at large. He also spends time on conflict resolution. However, he rarely calls board meetings, preferring that problems be brought to him for informal resolution with his senior collaborators. In this respect, he plays the role of the ombudsman in the organisation, assuring his employees that he is always ready to listen to any suggestion, problem or idea. In addition, Branson devotes a great deal of energy to sponsoring charitable, humanitarian causes. This kind of "pragmatic idealism" creates meaning for the people who work for Virgin.

Surprisingly, despite Branson's solid dose of narcissism, he is reserved and even self-conscious when speaking in public (although he is a genius at promoting his company through his daring personal exploits). He finds it difficult to articulate abstract ideas relating to his management philosophy. His constant use of "we" and "us" when referring to top management and staff clearly reflects his desire to create the impression of teamwork at a senior level and reinforce the "family" ethos that he wants Virgin to enjoy. (Alternatively, it may simply be a tactic employed to impress current and potential outside investors.) But, without interpreting this "organisational text" too far, one could speculate that Branson's particular way of acting is also a means by which he can reduce the role of the public persona.

Branson is never dogmatic, in fact he often speaks hesitantly. He is not given to monologues. He has taught himself to be a good listener, and he is willing to change his mind if an argument is convincing. At the same time, he is not a navel gazer; he is not very reflective. He is truly action-oriented. While there is a strong pragmatic side to his way of thinking, there is also a certain playfulness in his behaviour, a quality that brings out the best in people.

The key to Branson’s ability to manage his narcissistic disposition lies perhaps in his awareness of his own fallibility. As he is the major driving force in the company, providing vision, enthusiasm, and energy, he requires some kind of balancing power to look after the details. He needs a person to take on a controller’s function. In the history of the company, different individuals have taken on that role. Recognising the need for an executive role constellation, Branson has created a team of people that bring in different expertise, and complement one another. This has been one of the success factors in the organisation.

Summary of Key Points

**Virgin’s Vision
Corporate Culture**

	“love”, fun, doing something for the world: putting the world “right”	
↙	↓	↘
Purpose	Mission	Strategy
Take people on an exciting adventure that challenges the status quo.	Be the best at whatever you’re doing.	Make sure employees are enjoying themselves; provide excellent service and value for money

Virgin’s Modus Operandi

Growth; a Continuous Stream of New Companies

Airlines, railroad, retail, nightclubs, computer games, hotels, travel, books, films, banking, cinemas, fashion, beverages, cosmetics, music, marriage arrangements, internet...

Criteria for New Business

- What is the potential for “reframing “ the market and offering added value to the consumer?
- Does the opportunity fit within the Virgin brand?
- Can the skills and competencies within Virgin be applied?
- Can the risk be managed?

Procedure

- the competition is portrayed as a monopoly that overcharges for a poor service
- Virgin is different: young, a rule breaker, that gives value for money; the David who fights Goliath
- the customer is pulled into a conspiracy against the establishment
- Branson is like Robin Hood: he steals from the rich and distributes to the poor

Virgin's Core Competencies

- identification of areas of growth
- quick action
- daily management through relatively small teams
- creation and management of partnerships

Summary of Branson's Management Philosophy**Small is Beautiful, Amoeba-like Structure**

- small autonomous units
- flat structure
- lean, not mean, flexible machine
- use of subcontractors

Simple Structure

- minimise head office
- avoid bureaucratic practices

Keiretsu-type Organisation/Networking Structure

- loosely coupled organisational units

Organic Growth, No Acquisitions**Long Term Orientation**

- building balance sheet value

Be the Best in Whatever You Are Doing

- give value to the customer

Be Close to the Customer

- superior customer satisfaction

Fight the Not-Invented-Here Syndrome

- ready to pick up someone else's ideas

Be Entrepreneurial

- be constantly on the look-out for opportunities
- venture capital orientation
- constant innovation
- any crazy idea gets a hearing

Manage the Risk

- always be prepared to walk away from a deal

Welcome Change**Create a Corporate Culture of**

- fun
- flexibility
- freedom/autonomy
- fast decision making

- family feeling
- friendliness
- accessibility (flat organisation)
- proactive/entrepreneurial
- non-hierarchical/egalitarian
- trust

Operate With “Soft” Control Systems

- utilise cultural values as a control device
- avoid becoming a paper factory

Employees Most Important

- take care of your people

Foster Good Corporate Citizen Behaviour**Where possible Promote from Within**

- stretch people
- offer opportunities for women

Motivate by Example**Be a “Renaissance” Entrepreneur**

- involve yourself one hundred per cent in a problem, then delegate
- don't fall into the micro management trap

Share the Rewards Among the Key Players

- create millionaires within Virgin

Go Beyond Narrow Financial Goals

- create a sense of social responsibility

Place (and Protect) the Brand at the Centre of the Business**Summary of Potential problems****Branson's Exhibitionist, Narcissistic Style**

- danger of being surrounded by yes-men
- can strong people survive in his organisation?
- can the chairman be controlled?

Company Too Dependent on One Person

- succession problems

Maintaining Entrepreneurial Spirit

- conflict between size, creativity and entrepreneurship

Culture Clash

- "bean counters" versus entrepreneurs
- conflict between informality and increasing formalisation

Dealing with the Financial Community**Ageing: How to Keep the Momentum Going****Problems of Internationalisation****Managing 50-50 Partnerships**

- strategic partnerships unstable

Airline Business Still Very Risky

- a political mine field
- huge capital outlays

Problems around the Railroad Venture

- negative effect on brand name

Vision for the Near Future: Create More Synergy for the Group*Problems:***Insufficient Focus**

- highly diversified portfolio of companies
- dilution of brand name

Controlling Fast Growing Empire**Establishing Synergies Between the Different Businesses***Solution:*

- Virgin Charter – explicit goal of defining the common values and the strategic complementarities shared by all the companies in the group.

Summary of Branson's Role in the Organisation**Public Relations**

- publicising the brand name
- publicising new ventures in start up phase

Obtaining, Generating New Ideas/Starting New Ventures**Managing Partners**

- maintaining partnership relations

Selection of Key Executives

- internally: create opportunities for up-and-coming talent

- externally: spot established high flyers for recruitment into management

Conflict Resolution**Managing The Airline**

- retained title of managing director
- still Branson's passion

Engaging In "Good Works"**The Role Of Corporate Ombudsman****Key Elements in Branson's Personality****Janus Face: Split Personality**

- one part: warm/friendly/idealistic
- other part: tough negotiator/workaholic/empire builder/thrives on bartering

Extremely Competitive**Wants to be the Best at Everything****Wishes to Leave a Mark****Likes to be in Control**

- legal protection of the brand
- rarely junior partner in alliances

Strong Narcissistic Streak

- Influence of mother: "My Richard is going to become prime minister."

Awareness of his Managerial Weaknesses: Instrumental in Designing Executive Role Constellations

- Branson/Nik Powell (first executive coalition)
- Branson/Simon Draper/Don Cruickshank (second coalition)
- Branson/Trevor Abbott/ Robert Devereux (third coalition)
- Branson/Will Whitehorn/Stephen Murphy/Gordon McCullum(fourth coalition)

Complementarity of Roles

- Branson: vision/opportunism/enthusiasm/motivation/intuition
- Powell/Cruickshank/Berry/Abbott/Murphy: managerial control/hatchet men
- Whitehorn: external relations
- Draper/Devereux: creativity
- Cruickshank/Devereux/Whitehorn/McCullum: strategy

David vs Goliath Syndrome

- Robin Hood: standing up for the underdog
- fighting cartels in: music, airlines, broadcasting, lottery, beverages, insurance
- possible cause: grandfather as symbolic oppressor

Emotional Investment in Airline

- influence of mother: stewardess in British Airlines
- war stories of mother as one of the first to fly over the Andes

Wish to be an Explorer

- adventurer imagery
- identification with Scott of the Antarctic

Need for Continuous Challenge to Feel Alive: Sense of “Flow”

- daredevil behaviour
- prankster/practical joker
- death wish

- “grasshopper” mind

Achilles Heel: “Pretty Women and Sticky Pudding”

Potential Audience/Participants

This case has been used at all levels, from MBA classes, to executive seminars. The issues addressed have proved to be of broad interest. In fact, it has proved to be one of the ECCH’s most successful cases. The case is very flexible, and can be refocused to address a number of issues.

Suggested Student Assignment

- 1) What made Virgin so successful? What are its key success factors?
- 2) How would you describe Branson’s leadership style? What can you say about his management philosophy?
- 3) What problems do you see?
- 4) If you would be an advisor to Branson what suggestions would you make to him?

Suggested Additional Readings

Mihaly Csikszentmihalyi (1990), *Flow: The Psychology of Optimal Experience* New York: Harper and Row)

Manfred F.R. Kets de Vries with Elizabeth Florent-Treacy (1999), *The New Global Leaders* (San Francisco: Jossey-Bass)

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Manfred F. R. Kets de Vries (1995), “Charisma in Action: The Transformational Abilities of Virgin’s Richard Branson and ABB’s Percy Barnevik,” *Organizational Dynamics*, Winter 1998, pp.7-21

Edgar Schein (1992), *Organizational Culture and Leadership*, 2nd edition (San Francisco: Jossey-Bass)

Peter Senge (1990), *The Fifth Discipline* (New York: Doubleday)

Abraham Zaleznik (1989) *The Managerial Mystique* (New York: Harper & Row)

Possible Discussion Questions

- 1) What made Branson become an entrepreneur? What have been the highpoints of his career?
- 2) List aspects of Branson's personality. Where do these personality characteristics come from? How does his leadership style affect his company? What is Branson good at?
- 3) What are the salient elements of Virgin's corporate culture? What contributes to it being an authentic organization?
- 4) What is Virgin's vision, mission, strategy?
- 5) How can you explain the success of Virgin?
- 6) What would happen to Virgin if Branson fell under a bus?

Potential Uses of the Case

The basic issues addressed—the making of an entrepreneur, and excellent leadership in entrepreneurial companies—make this case useful in entrepreneurship and leadership courses. For organisational behaviour classes, the case provides a detailed example of an organisation with a unique structure and culture. It can also be used in executive seminars, as part of a theoretical discussion of the influence of a leader on his or her organisation, raising the correlated question of succession.

Suggested Teaching Approach

The Virgin case has been an extremely popular at INSEAD. Students of any age (undergraduate, MBA, and executives) easily identify with the industry and the people working at Virgin. The case creates great excitement in class discussions. After all, it's unusual to find a company in which one can have fun and become a millionaire!

I usually start by asking if anyone would like to work for Virgin. Both positive and negative answers give ample material to get the case going, and make for interesting class dynamics. From a role playing point of view, it is useful to remember the positions individual

participants take. Later during the case discussion one can come back to these positions and ask if they still hold. Subsequently, I ask the students what Branson wants. This question brings up issues of leadership style, management philosophy, and Branson as an organisational architect. It also allows for an exploration of the key success factors in the company. After that issue has been dealt with, I steer the discussion to potential problem areas and ask for suggestions and recommendations. I wrap up the case with a short lecture on what makes for effective leadership and what characterises high performance companies.

Branson's Virgin: The Video

Although now dated the video adds substantially to the case as one can see three past major players (Branson, Devereux, and Abbott) describing their management philosophy. Seeing these people on the screen often leads to a stream of new ideas. If used in class participants will actually change their original positions. A good way of using the video is to show *only* the presentation of Branson. Clips of Branson's life at the beginning and ending of the video also adds to the level of excitement. Scenes include his record-breaking trans-Atlantic speedboat crossing, his hot air balloon flight, a director's meeting on his house boat, Branson the underwear model inaugurating a new airline route, and last but not least, Richard Branson as an irrepressible child, clowning in the garden with his family.

Proposed Session Plans

Timing 90 minute class

0 - 5 minutes	Introduction
5 - 20 minutes	Case discussion Question 1, 2
20 - 35 minutes	Case discussion Question 3, 4
35 - 50 minutes	Case discussion Question 5, 6
50 - 70 minutes	Video Virgin (short version)
70 - 90 minutes	Wrap-up and conclusion

Timing 120 minute class

0 - 5 minutes	Introduction
5 - 20 minutes	Case discussion Question 1, 2
20 - 35 minutes	Case discussion Question 3, 4
35 - 50 minutes	Case discussion Question 5, 6
50 - 85 minutes	Video Virgin (long version)

85 - 120 minutes Wrap-up and conclusion

Timing: two 60 minute classes

Class 1

0 - 5 minutes	Introduction
5 - 20 minutes	Case discussion Question 1, 2
20 - 35 minutes	Case discussion Question 3, 4
35 - 50 minutes	Case discussion Question 5, 6
50 - 60 minutes	Provisional wrap-up

Class 2

0 - 5 minutes	Introduction
5 - 40 minutes	Video (long version)
40 - 60 minutes	Wrap-up and conclusion

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Boulevard de Constance, 77305 Fontainebleau Cedex, France
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