

Distinctly Entrepreneurial

An Interview with Sir Richard Branson, Founder, Virgin Group

EDITORS' NOTE Richard Branson's first entrepreneurial venture was setting up Student magazine when he was 16 years old. In 1970, he founded Virgin as a mail order record retailer, and shortly afterwards, opened a record shop in Oxford Street, London. In 1972, a recording studio was built in Oxfordshire, and in 1977, Branson signed the Sex Pistols and went on to sign many household names from Culture Club to the Rolling Stones, which helped to make Virgin Records one of the top six record companies in the world. In July of 2007, Branson along with other prominent names like Nelson Mandela and Desmond Tutu formed The Elders, a group of leaders coming together to tackle some of the world's toughest problems.

COMPANY BRIEF With around 200 companies in over 30 countries, the Virgin Group (www.virgin.com) has expanded into leisure, travel, tourism, mobile, broadband, TV, radio, music festivals, finance, and health. Virgin employs approximately 50,000 people in 29 countries, and global branded revenues in 2008 exceeded £11 billion (approx. US\$17 billion). Through Virgin Green Fund, the company is investing in renewable energy and resource efficiency. In February 2007, they announced the Virgin Earth Challenge, which offers a \$25 million prize to encourage a viable technology which will result in the net removal of anthropogenic, atmospheric greenhouse gases. Virgin Unite is the company's not-for-profit entrepreneurial foundation focusing on social and environmental issues.

How has the economic crisis sharpened your company's keen sense of identifying opportunity?

Over the 40 years of my business career, I have found that recession and tough economic times have often thrown up more opportunities for growth into new areas or enabled our existing businesses to expand further. We grew our record business through the tough times of the '70s and expanded Virgin Atlantic through the recession of the early '90s when it was easier to lease planes and grab new slots at Heathrow and abroad.

In today's tough environment, we have to offer great service and great prices to stay ahead of the competition. Virgin America actually started flying two years ago during one of the toughest times in aviation, with oil at \$150 a



Sir Richard Branson with some of his Virgin America teammates

barrel and passenger demand quite muted. The oil has come down but airlines are fighting for passengers and fares are very low. However, the airline has honed its performance during tough times. It has made sure its product, its staff, and the service are exceptional, and it is doing very well.

Our global health club business is also growing extremely well through the recession. It has been helped by its ability to negotiate lower rental costs and by the fact that competition for sites is a little easier now in its main areas of expansion – Italy, South Africa, and now Spain and Portugal.

People have often told us to be more focused but we believe that Virgin is a global lifestyle brand, and we've built a large and loyal customer base, tempting us to consider opportunities stretching in all directions. For reasons I have often failed to understand, business analysts and commentators forget that Virgin is and always will be a company based on entrepreneurial principles, not traditional business models. We can diversify, and try new markets, products, and services far quicker than many

large global businesses, which has resulted in us not only weathering many an economic storm, but coming out the other end stronger. Our diversified portfolio remains resilient because we take basic needs – a better flying experience and a health club that motivates its members by being healthy and positive rather than playing on the negativity of being unhealthy – and fine tune them to each local market. We don't aspire to be the biggest; we aspire to be the best in our markets, and that is a strategy that works in any economic climate.

How does Virgin harness the talent of many to create "distinctively different" customer experiences?

First of all, we have a terrific team of CEOs who lead our companies. They are all entrepreneurial in their own way and are superb leaders who listen to their staff and prioritize their customers. Innovation comes when you think about what customers want, and listening is an essential skill that helps us understand local markets. It actually annoys me when I read the marketing literature of companies who claim to listen to their customers – they don't. They have

decided in advance what their product or service will be and stick rigidly to it, ignoring any feedback. We take the principle of listening to our customers very seriously, to the extent that we've handed over virgin.com to the public: they provide the content, write the articles, post comments – basically anything they want – and we read and take on board what they have to say. Many companies see this as risky. We see it as essential to our core values of openness and providing excellent customer service.

The key to approaching each territory is to never lose sight of offering customers something that is consistent and of top quality, which at the same time, considers the specific needs and insights of the local market. Virgin Active gyms are expanding in many territories because they are able to provide something unique for each market. In South Africa, they have tended to cater to serious fitness enthusiasts, but we are expanding there to take in older customers and more family users. In the U.K., we have many family friendly clubs, and in Italy, we have a growing number of young metropolitan club members attracted by our new classy clubs.

Virgin Money continues to strengthen because people want a financial partner they can trust, so CEO Jayne-Anne Gadhia is looking at other ways to build our services globally, but with a sensitivity to each market's needs.

Brand ambassadors also help shape our new companies and their new offerings. For example, Adam Wells started out helping design the upper class bed experience at Virgin Atlantic and before long he moved to the U.S. to create the entire Virgin America experience that is so admired, from the inviting check-in area to the unique boarding passes to the onboard experience with its 12 dials of mood lighting, first class seats, and modern interiors and seatbacks. Adam is now designing our new brilliant boutique hotels offering in North America. We are lucky to have great staff who truly understand the brand values and who love Virgin so much they take on the new and exciting challenges we offer.

How do you keep the entrepreneurial focus sharp in a large, multinational, multi-business company?

We've got a great group of leaders who run each Virgin company by holding true to the Virgin set of brand promises. They take tremendous pride in what the brand stands for; we are customer champions and our companies deliver value for money and brilliant customer service with a generous helping of fun, surprise, and innovation.

Empower the people who work for you,



Sir Richard in front of VMS Eve before his maiden flight

whether that's 5,000 or 50,000. Listen to them, encourage them to come up with ideas, and do not be frightened to put them forward for real consideration. Ask their advice, encourage suggestions from every office you run, and reward staff for coming up with ideas that improve your business. We do this successfully in many of our Virgin branded companies around the world.

Over the past five years in particular, we have had the most unbelievable feedback from our people. They've told us that the most important thing to them is that Virgin becomes a market leader in how we treat our planet and those less fortunate. We have taken this very seriously, and all of our companies now see this as a core value rather than an 'AOB' at the end of an agenda.

For example, the family of Virgin airlines is working with others in the aviation industry on the next wave of biofuel development and introducing progressive policies on air traffic control and emissions taxes. Our Virgin Active health clubs are using innovative design and renewable energy to heat and light their spaces. I don't think any company can be truly green, but they all know what their issues are and are actively making a difference. They have to; consumers demand it and deserve it and so do our children and our children's children.

Our entrepreneurial strength has also helped us set up and incubate philanthropic initiatives. The Disease Control Room was launched among our nonprofit arm, Virgin Unite, and the government of South Africa as a public/private partnership that will ensure the delivery of high quality data, sharing of best practices, and coordinated responses to health

crises in South Africa. We also launched the Carbon War Room recently in New York, which brings together diverse entrepreneurial leaders and resources in collaboration with environmental partners to speed and scale solutions for a low carbon economy. That kind of rich collaboration from all sides is what it will take to truly be entrepreneurial today, and it's what keeps business fresh.

What is the Virgin appetite for expanding into emerging markets?

Healthy. We look for opportunities in emerging markets so that we can continue to grow beyond our comfort zone. That's what keeps us entrepreneurial and also forever the David and not the Goliath.

We recently sold our stakes in Virgin Mobile US and Virgin Mobile Canada, and those companies will keep serving customers with the same Virgin values as before. We plan to focus our mobile investments in emerging markets such as India and the Middle East. We are also focused on clean tech innovation and investment, which may take us into many different countries. Our aviation team is always looking at new places to invest with the brand and we made an investment two years ago in the fast growing AirAsia X based out of Malaysia.

As you look at the next generation of opportunity, what general advice would you offer to global entrepreneurs?

Life is much more fun when you're free from the mothballs and giving it a go with a team of bright and entrepreneurially spirited talents. Life is much more fun when you say "YES." Remember, the brave may not live forever but the cautious do not live at all. ●