Examination of the virgin group

The Virgin Group is an interesting case to study because, though it is based in the United Kingdom, its corporate effects are felt around the world. The Virgin Group refers to a number of companies that are operated as separate business entities, but which all originated or are otherwise connected with the brand that Sir Richard Branson created in 1970 (Virgin, 2007; Woodruff, 2007). The company’s headquarters are found in the British Virgin Islands (Kapner, 2002). The group has been considered a conglomerate for classification purposes, though in actuality, the set up is quite complex and defies definition.

The brand is representative of a wide array of business types which in 2005 amounted to over 200 (IBSCDC, 2006). These have ranged from soft drinks to airline companies (Woodruff, 2007). The Virgin Group, by their own admission, is committed to the development of new and valuable ideas. Once such an idea presents itself, Virgin seizes the opportunity that it affords. However, excellent management practices has also been cited as a major strength of this group, and is therefore one of the most significant components of its corporate rationale.

The type of management highlighted in the Virgin Group’s rationale is heavily reliant on detailed analysis and research of any new venture that the group considers. One of its most significant and effective strategies is to “ put ourselves in the customer's shoes to see what could make [the market] better” (Virgin, 2007a). The group is interested in such questions as the opportunity for creating competitive advantage within a market. It is also interested in the current satisfaction of customers within that market and the ability of Virgin to provide something of added value to the customers.

The Virgin Group also acknowledges its reliance on the talents of its creative employees. It offers a high level of employee support to its 25, 000 workers worldwide, and this is done through its forward-looking human resource management practices (Virgin, 2007). The Group hand picks employees and managers that are highly skilled, trained, and experienced in their specific areas. The organizational and corporatecultureof the Virgin Group causes the many and varied companies and the workers therein to be treated more like afamilyrather than a hierarchy.

Individual companies possess a high level of autonomy in controlling their affairs, yet each is willing to help the other for the sake of the Group as a whole. The chairman of the group, Richard Branson, owns 51% of the stocks, while much of the rest is publicly owned. A recent valuation of the Virgin stock, however, sparked controversy, as Branson expressed concern that the stock was being undervalued on the public market. He expressed a desire to buy back the stock at the set public price (Kapner, 2002).

Corporate governance in a company or conglomerate as large and diverse as the Virgin Group has no alternative but to be extremely complicated. In order to manage such a wide variety of companies and to ensureaccountabilitywithin the ranks, a detailed and structured model of governance has been applied. A very good model has involved the formulation of committees that review the remunerations given to various high-level members of the Virgin team, such as directors and managers.

Other committees specifically designated for controlling the relations between the company managers and shareholders have also been necessary constructs in the supply of data throughout the Group (2006). This has facilitated the shareholders' access to information concerning the company as well as their right to make decisions about the company's operations. Independent audits have also facilitated this kind ofcommunication, and has upheld shareholders' trust in the company to do business without deception. Finally, the board of directors of Virgin Group takes decisions regarding the overall strategy of the Group.

The chairman Richard Branson creates wide strategic visions that are appropriated by the heads of the different departments that make up the corporation (Virgin, 2007b). Furthermore, the board of directors represents a wide range of abilities and experience in the areas offinance, enterprise and operations. Thus, the balance created between the ratio of executive to non-executive directors ensures that the interests of the Virgin Atlantic Corporation be maintained in an atmosphere of fairness (Stagecoach, 2002).

Virgin Atlantic Airways is a subsidiary of the Virgin group, and it's largest competitors include British Airways, British Midland Airways as well as other international aircraft carriers like American Airlines and United Airlines (Virgin, 2007c). However, the most serious rivalry occurs with British Airways with whom they have had bitter relations since the beginning. In fact, on many routes within the British Isles, Virgin and British Airways share the total market and therefore compete very bitterly within its combined territory.

Almost immediately following Virgin Atlantic's inception in the early 1980's, British Airways began a price war with the company, slashing its prices to within ? 1 of that which Virgin charged. The early losses incurred as a result of that move by British Airways was eventually overcome, and this soon changed to a profit. The company's goal was expansion, though not too fast.

Therefore, the market share that it captured from British Airways and other competitors grew slowly, though steadily, over the next few years.

Furthermore, since competition takes place in more than just a price dimension, Virgin Atlantic has also managed to eclipse the competition in the luxury of its business class lounge. This airline houses the best business class lounge currently existing in the London, Heathrow airport. It will also be seen that this strategic targeting of business class passengers has aided some interesting developments in the competition between Virgin Atlantic and its biggest competitor British Airways (Kerensky, 2007).

Recently, Virgin Atlantic has been able to cut deeply into the market in the area of business class passengers. This success has been widespread, as the company achieved close to a 10% share in the market of the London to Dubai route within just one year of operation. In 2006, the Virgin Atlantic carrier managed to increase its profits before taxes by over 100% by performing a record high number of sales amounting to a total of ? 1. 91 billion. The profits from that amounted to ? 41. 6 million. This reflects an increase over the ? 20.

1 million of the same season of the previous financial year. The number of passengers that the firm carried that year increased up to a record of 4. 9 million. This has come at a time when Virgin Atlantic has been involved in whistle-blowing activity that alleges British Airways and other competitors to have been making plans to form a cartel that would greatly harm competition. It also follows a scandal relating to fuel surcharges. This has resulted in the investigation of the competing airline by the Office of Fair Trading in the United Kingdom (Travel Distribution, 2006).

The alarming increase in sales over that period occurred mainly in the second portion of the fiscal year after the surcharge price fixing scandal involving British Airways began. During that period, British Airways reflected a decrease in its revenue that appeared to have more to do with seasonal fluctuations. The dramatic decrease following the second quarter high corresponds not just with the low season but with the fuel surcharge price fixing scandal. It also corresponds with an increase in Virgin Atlantic's business class market share which increased that airline's profits by more than 100% over the same period (British Airways, 2007).

It can be noted that since British Airways suffered a large decline while Virgin enjoyed a large increase, the success of Virgin came at the expense of British Airways. This reflects the fierceness of the competition between the two. It must also be noted that British Airways' revenues have demonstrated an increase so far in this fiscal year (2007), and this means that the fierce competition continues between the two carriers (British Airways, 2007). Virgin's strength continues grow within this market, though it faces challenges and must continue to face its strong archrival.

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