

# Core competences of virgin atlantic essay



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## 1. Introduction

“ Strategic capability is about the ability to provide products and services with features that are valued by customers. Competitive advantage will be achieved by organisations that are able to do this better than their competitors and in ways that are difficult to imitate.” Johnson and Scholas, 2002; Pg. 183)

This case study report examines the competences and core competences of the aviation industry in particular of Virgin Atlantic airlines'. It evaluates the strategic choices adopted by virgin Atlantic to gain a competitive position in the airline industry. The report also reviews the corporate strategy of Virgin Atlantic airline, the company which is well known for its innovative culture and strong potential. The study also explores the way the airline adopted to add value to its products and services in addition to the internal and external factors which affect the business strategy of the company to sustain in the competitive world of aviation market.

### 2. . a) Competences of Airline Industry

“ The competence is an attribute or a collection of attributes like skills, technology and knowledge possessed by the company for growth and survival in the industry”. (Evans et. al, 2003; pg 49)

Every industry has some superior performers who have some strategic capability which enables them to outperform their competitors. This includes the resources and competences of an organisation necessary for its survival. According to Johnson (2002) organisations have some tangible resources

such as people, machinery, finance and some intangible resources such as skills, knowledge, reputation and information. The efficiency and effectiveness by which an organisation uses its resources is termed as competence. Competences can be developed internally or acquired externally by suppliers, customers or distributors. In case of airline Industry, all the airlines possess similar competences and basic abilities in operations, marketing and distribution. (Evans, 2003) The growing number of commercial airline companies has put pressure on management to seek profits and increased revenues at reduced costs.

Abdelghany and Abdelghany (2009) explains that firstly, airlines must comply the rules and regulations of the countries from where the airlines fly to where they fly as governments control strategic decisions of airline. Secondly, they have to consider the terms of agreements with different airports regarding the operations such as available infrastructure, airport charges, expected traffic, available landing slots and competition from nearby airports. Thirdly, they have to look after the needs wants and preferences of its potential customers which include schedule convenience, competitive fares, and on-board services, punctuality of the flight and the efficiency of customer services.

Abdelghany and Abdelghany (2009) further describes that it is fundamental for the airline to decide strategically about alliances and mergers to maintain the level of standards. The other crucial competence of airlines is its supplier's efficiency to supply items such as aircraft, spare parts, meals, fuel and employee uniform. In addition to this, increased trend of outsourcing requires healthy relationships with the suppliers of operations such as

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aircraft maintenance, aircraft cleaning, ground handling, baggage handling, catering and security staff.

The organisations have to deal with the employees and unions in order to run the smooth operations. Finally, airlines have to monitor their decisions to their competitors to find out ways to respond to their actions and to stay in the competitive world. (Abdelghany and Abdelghany, 2009)

#### b) Competences of Virgin Atlantic

The Virgin Atlantic Airline is run by Richard Branson who has 51% stake in the company and the rest of the stake is owned by Singapore airline. The Virgin Atlantic airline successfully competes with major carriers on long-haul routes across Asia, Africa, Australia, Europe and United states. The mission statement of the company is “ To fly a profitable airline that people love to fly and where people love to work” (Branson, Virgin. com)

The physical resources of the airline include 38 aircrafts with three types of Boeing 747-400s, A340-600s and A340-300s. The company also owns 9000 enthusiastic and vibrant staff including 4000 crew members to provide efficient services at various stages of airline operations and management. Virgin operates in three classes of travel: Upper Class, Premium economy and economy. Its marketing champagne is “ Your airline has either got it or it hasn’t.” (Virgin. com)

### 3. Core Competences

“ A core competence or distinctive capability is an attribute or a collection of attributes specific to an organisation which enables it to produce

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performance above the average for the industry.” (Evans, et. al, 2003; pg. 49)

Generally every organisation has some or more competences except these abilities there must have some distinctive and unique capabilities found difficult by competitors to imitate, these are the core competences. It can be a powerful brand, strong relationship with suppliers and customers or the best possible services which can be considered as the critical success factor (CSF). The CSF is particularly valued by a group of customers required to outperform the competitors.

Virgin Atlantic aims to provide economy the maximum value for money with space saving seats, inflight entertainment system with on-demand video, a choice of three entries, free drinks and amenity kits plus child kits as well.

Premium economy provides enhanced ergonomic seats comparable to business class in other airlines. The aircrafts have separate seat and bed with mattress for upper class which is a unique feature. It has added value by providing limo-transfer, drive-through check-in and on-board bar to upper class in addition to clubhouse and lounge facilities.

The airline focuses on improving company strategy for business and leisure travellers as their strategy is to ensure the best business product in the air, grow the business further and run efficient and effective global airline.  
(safariographics. com)

Passengers can also book hotel, hire car in addition to book a seat for the flight. Online check-in provides the facility of choosing your seat and meal

via online check-in. They also provide airport parking and pick up facilities all of which adds value to the company services.

#### 4. Competitive Advantage

Evans, et. al (2003; pg. 49) explains “ A business can be said to possess competitive advantage if it is able to return higher profits than its competitors as a proportion of sales.”

Every company creates certain CSF's to sustain in the market and to achieve the advantage. The core competences must relate to the activity which is seen by the customer as a value product or service should be difficult for the rivals to imitate and perform to the level which is better than competitors. (Evans, et. al, 2003)

Porter (1985) has divided rule of gaining competitive advantage into 5 forces whose strength determine the ability of an organisation to earn profitability and sustainability.

The main success factors of an organisation for its customers are its brand name and the excellence of service. Success can be underpinned by the resources and the competences of the company to provide the customers which are unique and superior as compared to competitors and the flexibility of the company to solve the problems of the customers. The combination of all these activities gives advantage and superior performance. (Johnson and Scholas, 2002)

> Virgin's most superior advantage is Richard Branson and employees of virgin. The charismatic style of Richard Branson has provided an asset to the <https://assignbuster.com/core-competences-of-virgin-atlantic-essay/>

organisation which no other organisation possesses. Over decades, Richard Branson has built a work environment which is more like a family.

> Another CSF of Virgin is its corporate culture. Virgin flair of employees has given it advantage over British Airways which has developed issues with its staff on various matters.

> The Virgin brand name is the other distinctive capability which nobody can replicate. Virgin has a variety of enterprises under a single brand name which creates unique brand equity.

(sgenterpreneurs. com)

## 5. Resource analysis and adding value

Resources add value to the organisation. All the firms need to sustain their value in order to survive in the future. Lynch (2009, Pg. 131) explains that “ Added value is defined as the difference between the market value of the output and the cost of the inputs of an organisation.” Value can be added by:

\* Raising the Value of outputs.

\* Lowering the cost of inputs.

Porter (1985, pg. 35) says “ A systematic way of examining all the activities a firm performs and how they interact is necessary for analysing the sources of competitive advantage.” Companies perform some activities such as purchasing, distributing, marketing and manufacturing to develop their business which is fundamental for all the companies. Value chains are unique even though the firms are from the same industry. These value

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chains link the value of the activities with the functions to be performed and then assess the contribution of each part in adding value to the business.

According to Porter (1985) in larger companies with more than one product areas, the analysis is conducted by splitting the activities into primary activities and support activities such as human resource management. The analysis then examines the contribution of each part and the comparison with the competitors. (Cited in Lynch, 2009)

The virgin's technique of adding value consists of:

- > Virgin has introduced innovative technology including inflight music, icecream, games, movies, on-board bar and separate beds for upper class.
- > They offer frequent flyer points to its customers in which gold card holders or J-class are offered with lounges, food and comfort and extra baggage.
- > It has innovative management in partnership with Singapore Airlines as their routes are non-overlapping and allows an added value to their partnership.

(esecourses. com)

## 6. Effects of internal and factors

### A) Managing People

“ Strategic capability is essentially concerned with how the resources are deployed, managed, controlled and motivated to create competence in those



activities and processes needed to run the business”.(Johnson and Scholas, 2002; pg. 480)

> An understanding of capabilities, abilities and skills of people as well as how they relate with one another in organisation helps in formulating the strategy. The key tool for understanding the people is Human Resource (HR) audits in which information is collected about:

- \* Number of employees- number, location, skill, gender, age or length of service

- \* Cost of each employee.

- \* Organisational culture.

- \* Effectiveness of recruitment and selection.

- \* Quality of training

> The information gained from audits evaluates the gaps of human resources and identifies people based core-competences which help in building future strategies.

> In many organisations recruitment is a key method which improves capability.

> For seeking change, reemployment and redundancy schemes are also focused for meeting the requirement of talented individuals.

> For sustained excellence, the individuals are trained in their work routine. (Johnson and Scholas, 2002)

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Virgin Atlantic chooses people with innovative ideas who want to perform their best services and have strong desire to beat the competition. Everyone is expected to follow the organisational culture of fun, innovation and care. Richard Branson has adopted his own personal style of involving employees and seeking their ideas for adding value. Human Resource management system follows not only the procedure of interview, assessment and group discussion but also keep the people committed by rewarding them with bonuses, profits and bonuses. (virgin. com)

#### b) Managing finance

The success or failure of an organisation is judged by recognising its financial efficiency. A company's financial analysis is done by conducting longitudinal, cross-sectional or ratio analysis. Some companies undertake foreign exchange risk analysis and cash cow risk analysis. Usually financial data of last few years is assessed for variations in the performance and is compared against the performance of competitors. This data is used to identify superior performance and compare the effectiveness of various organisations of the department. (Johnson and Scholas, 2002)

The company's pre-tax profits in year 2009 were £68. 4 million as compared to £38. 4 million in 2007/ 2008. It has code sharing with Japan's All Nippon airways which has added to its financial performance. (Intel, 2009)

#### c) Strategic management of marketing

Campbell (2002 ) says, “ It is better to be hated by half of potential customers and loved by the other half than to be quite liked by them all.”

The way of organising marketing is also a fundamental aspect of strategic management. Strategic managers are mostly concerned with the wants and needs of the customers and how to satisfy those wants and needs. The companies assess the demand of their product by following STP marketing approach by Kotler. Marketing segmentation is a powerful tool to understand the requirements of the customers. By identifying the specific segment in the market, company can target that particular group and can position its strategy to make a monopoly in that segment.

Virgin has a differentiated market with business and leisure travellers by taking the expectations further and promoting themselves through media and vibrant advertisements. (Virgin. com) Virgin markets its product by advertising through direct mail, TV, press, magazines, distinctive logos and the flying lady. Virgin has positioned itself against its direct competitor British airways by gaining slots at Heathrow and by providing upper class services at business class prices.