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Case Study: Flying Start at Virgin Blue

Introduction

Business dynamics generally influence how firms act or behave in their various industries.  These changes in the businessenvironmentcause various effects in a company’s innovation and entrepreneurial ability.  This also applies to the deregulatory changes and the elimination of these barriers that exist in deregulatory framework and this result in the creation of various opportunities as regards various reallocations of available resources and hence this could lead into market equilibrium.  The need forcommunicationhas been brought about as a result ofglobalizationespecially with the existing need for communication in various languages, multiple use of currency, need for travel to other countries, being able to cope with diverse societies, regulatory environments, customs and cultures.

All these occur because the world of business globally is ever changing as a result of advances intechnologyand therefore this has prompted business people as well as other individuals to venture into different forms of businesses both outside and within their nations.  International business has become the order of the day as people opt to participate in the overseas business as they transverse international borders hence leading to rapid business development which has also brought a major boom for many entrepreneurs.  As these business persons opt for international business, they often come across various challenges and opportunities both of which have an impact on their business in the long –run.

This paper will focus on the case study of Flying start at Virgin Blue determining the various underlying factors as regards the various factors that have led to its success in business in a foreign country, the benefits that arise as a result of mergers and the importance of local market knowledge that could lead to the achievement of business success internationally among many other factors.  Virgin Blue is an Australian Airline which provides low-cost Carrie services and it is the second largest airline in Australia.  Its founder is known as Sir Richard Branson, a British Businessman of the Virgin group.  The Airline is located in Brisbane, Queensland

What factors would determine whether Virgin Express could have succeeded in Europe if Rayanair or Easyjet had gone out of business?
There are a number of factors that could have determined the success of Virgin Express in Europe if at all Rayanair or Easy jet had gone out of business namely barriers to entry, state monopoly, protectionism from countries, lack of bargaining power, availability of information, cheaper prices for goods and services, fragmented market, low rivalry, competition from train, coach and car, flexibility among others.  Together, these factors could be classified under economic, political, social and cultural factors.

One factor concerns the political, legal framework and the business environment that exists in Europe.  A stable business environment provides a good climate for investors and this is a major factor that would determine whether virgin express could have succeeded in Europe if Rayanair or Easy jet had gone out of business.  Another factor relates to the competitive advantage that exists in Europe.  Economic growth of countries is largely contributed by the competitive advantage that it poses and which puts it ahead in terms of resources over other countries or economies.  Michael porter describes competitive advantage under factors such as the demand conditions, related industries, factors of production and corporate strategy under his famous competitive ‘ diamond’ model in this model he establishes the strengths of nations basing on their industries (Montgomery & Porter, 1991).

The degree of competitive advantage that Europe offers a head of other nations would be a determinant factor as regards the success of Virgin Express if Rayanair or Easy jet had gone out of business.  A competitive advantage as relates to the available business environment is quite helpful in the determination of success in business across nations.  Competitive advantage in Europe could be examined under the availability of diligent and skilled labor force, investment opportunities, latest advances in technology and the degree of technology and the degree of intellectual capital among others.  Others include geographic advantages, cultural proximity, good language skills and the existence of modern telecommunications in the available infrastructure just to mention.

Making effective use of the available competitive advantages in a country is essential in the enhancement of business productivity and profitability.  In addition, the aspect of competitive advantage results in business expansion once it has been established and the level at which this competitive advantage is created upon varies a lot.  As concerns competitive advantage, the market size needs to be large enough to accommodate majority of business establishments and this also applies to the strength the market holds hence allowing for aspect that relates to competitive advantage is the cost advantages that exist in a nation. This is also an important factor that would determine whether Virgin Express would be successful in Europe if Rayanair or Easy jet had gone out of business.  Cost advantage in this case applies to the increase in sales and output by a business entity and this need to be achieved in Europe if Virgin Express is to succeed.

Europe’s institutional environment is also a factor that would determine whether Virgin Express would succeed in Europe if Rayanair or Easy jet had gone out of business. This concerns the determination of any risk conditions as concerns political and regulatory framework that exists in Europe that could also determine the outcome of any business that will be established in the country.  Any existence of deficiencies in the marketplace hinders the success of business and this will also determine the success of Virgin Express in Europe.

Knowledge of the existing market in Europe is also another factor.  This knowledge relates to knowledge of the market structures at the local, regional and national levels.  Virgin Express’ management needs to gather information regarding the market structures in Europe as well as the consumer behavior.  By establishing the tastes and preferences among the consumers, Virgin Express will be able to assess the demand in Europe for Carrie services and what prices to charge them at, the cost structure and the income elasticities that exist in Europe.  This also applies to the budget constraints that people in Europe face as regards their current income.  Knowledge of the market structure is vital because it results in reduction ofcultural diversityand also leads to easiness in the entry process into a foreign or overseas market as knowledge of community is established.

Lastly, knowledge of the various competitors that exist in Europe is also a crucial factor.  This is important as it will be able to establish the various reasons as to why these businesses excel and the driving forces behind this and as a result, risks and uncertainties that exist in Europe will be monitored. The reason behind this is that majority of firms are mostly influenced by the behaviors that their competitors posses especially the reasons behind their business successes, risks and uncertainties in the business environment.  In addition, knowledge on the various competitor behaviors is helpful in determining entry into a foreign country or market as businesses will be able to gain earlier entry hence enabling these new firms to succeed in business (Muijzenberg & Dahles, 2003).

How important is local market knowledge and operational experience in achieving success?
Success in business is determined by various factors and local market knowledge as well as operational experience is one factor that determines business success whether domestically or internationally.  Knowledge is importance especially in getting to know and understand the degree of competition that exists in the market place.  The other aspects include knowledge of lay of the land, current events, local customer and laws, audience, consumer base among others.  The knowledge of the above factors is important especially in planning a strategic approach as concerns the creation of market entry and this will also result into making such a positive and huge difference as concerns business success.

Researching thoroughly the market industry that one intends to establish their businesses is very crucial as regards local market knowledge and operational experience as this creates awareness of the market aspects or the legal aspects that are quite relevant in an existing market or if these factors could also end up to being devastating when it comes to the success of a business.  Virgin Express success in Australia is because it gained entry into the Australia market after years of good research and effective planning of the market structures that exist in Australia.

Those firms or organizations that intend or pursue international business often face a number of obstacles such as uncertainty that most of the times end up disrupting the decision making processes in most organizations or firms.  These organizations could also end up experiencing difficulties in dealing with local government and partners found in a foreign country, adaptation of various processes and products, language andculturethat exist in a foreign country, differences in tastes and preferences found in the local population as well as business practices and systems in the foreign market.  Firms in the past have made costly errors as a result of these obstacles (Malekzadeh & Nahavandi, 1993).

They have also experienced delays while attempting to establish their businesses overseas and as a result, these businesses have end up performing poorly in the international markets because of these factors and in extreme cases, withdrawal from the international business scene. It is the lack of knowledge about the local market structures that exist in these countries that have led to these problems as regards gaining entry.  It is important that business entrepreneurs attempt to gain knowledge about the local market structures that exist in these countries that have led to these problems as regards gaining entry.  It is important that business entrepreneurs attempt to gain knowledge about a country’s society, culture, economy, politics and language in order to ease the level of entry into a foreign country.  This is essential if at all a firm wants to achieve success in the international scene (Erramilli, 1991).

Knowledge about a certain local market in a stated country could vary for instance; the knowledge could either be objective or explicit information concerning issues such as demographic data, macroeconomic statistics or the existing codified research market.  The other form is experiential as this helps in navigation across various socio economic systems, cultures and political regimes that exist in a particular country of interest.  Local market knowledge is important in that an entrepreneur will be in a position to undertake the local language, culture and politics that exists in a foreign country as this will enable a business person to understand how culture affects an organization’s marketing as well as human resource management (Butler & Backman, 2003).

In addition, operational experience also plays a vital role in achieving business success both domestically and internationally.  This is also because it leads to the acceptance of foreign partners or intermediaries who may want to establish their business in a new host country and this is achieved as a result of control sharing. Operational experience is also important as it helps in curtailing uncertainty that may exist in international markets.  Moreover, operational experience leads to the attainment of confidence among different business partners who establish their businesses in foreign countries of risks and returns in firms and management of a number of operations in these firms (Turner & Johnson, 2003).

Through knowledge of the local markets and operational experience, Virgin Express managed to establish its success in Australia.  The effective team management at Virgin Express also helped a lot in the attainment of business success in Australia hence attaining half of the Australian market.  On the other hand, the business failed terribly in Europe because of lack of effective research and planning.

What benefits could accrue from merging Virgin Express with SN Brussels?
Mergers play a major role in international business and there are a number of benefits which result from this. As a result, Virgin Express  could gain a number of benefits when it decides to merge with SN Brussels since there will be reduced competition in the market place hence improving efficiency and productivity.  Mergers also result in existence of various ideas and opinions that are shared and this also includes availability of expertise in the market and organizations.  Consequently, shareholder value and competitive advantage are created as a result of sharing ideas and knowing through merging (Holbreche & Carrow, 2001).

Ease on entry into a foreign market is also another beneficial factor that results from mergers.  Firms are able to gain early entry into foreign country with ease since they will adapt to the local markets language and culture as well as the geographic markets that exist in these markets.  Mergers also lead to improved business performance since there will be an effective management that exists in these firms that have merged through effective control and diversification of various business interests that may exist in the firms and this also applies to the merging of Virgin Express and SN Brussels (Ireland & Hitt, 2001).

Another benefit that arises out of mergers is the adaptability into a foreign business environment and this eases the adaptation as relates to change.  In addition, mergers provide the opportunity for foreign firms to effectively exploit the available advantages and opportunities that may exist in a foreign country.  In this case, when virgin express decides to merge with SN Brussels, the airline will be at an advantageous position since it will be able to exploit the various competitive advantages that exist in Belgium.  This will also enable Virgin Express to develop a stronghold in the Belgium market besides utilization of improved assets or infrastructure and all this is because of mergers.

Mergers also result into less wastage of existing human capital and resources and this enhances efficiency and flexibility in organizations.  Technological advances and intellectual property will be evident in these two firms as a result of merging together because of the existence of abundant knowledge and expertise in the firm hence diverse opinions and ideas will be available leading to fast problem solving (Snyder, 1997).

Through merging, a company is in a position to advance its productivity and growth.  This could be achieved through development of new products, cost reduction, development of new techniques and competition in the existing markets.  This will be beneficial when Virgin Express decides to merge with SN Brussels Employees are also kept informed as a result of mergers.  This is essential since their productivity and efficiency is increased hence promoting their confidence, performance and satisfaction.  Therefore productivity and efficiency is bound to be enhanced if Virgin Express decides to merge with SN Brussels.

Having achieved success in Australia, what factors might determine whether Branson is successful in the USA?
There are various factors that could determine whether Branson is a success in the United States of America having achieved the same success in Australia.  The management that exists in the Australia Virgin Express is efficient and effective, and this could also apply to Branson of the United States.

The other factor concerns the existence of the barriers to entry that United States might have Existence of barriers to entry often might have Existence of barriers to entry often result in low rivalry in the individual market hence less competition is experienced by firms hence low quality products, and services are made available to the consumers (Kay, 1995).  Lack of these barriers however lead to business success and this will also determine whether Branson will be a success in USA having attained the same in Australia.  In addition, United States competitive advantage, infrastructure, language, technological advancement, prices/ cost, and culture that may exist in the prevailing market place in America.  In conclusion, the above factors determines whether Branson will be successful in United States having succeeded in Australia.

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