

The virgin group an insight into the organizational structure and culture



Introduction

The Virgin Group of companies is one of the largest business organizations in the world. Founded by Richard Branson, the Virgin Group has established itself into many diverse facets of the business industry. This paper analyzes the organizational structure and culture of the Virgin Group and how it has helped this organization attain such success in many diverse industries.

Much of the culture of the Virgin Group is influenced by the personal beliefs and philosophies of its founder, Richard Branson, and is one of the reasons for the organization's success. Branson highly values all of his employees and takes personal responsibility to ensure that his beliefs are instilled among all of them. Branson has created a decentralized structure in the organization by giving his employees the authority to take decisions thereby reducing bureaucracy. Employees are encouraged to not always follow rational procedures and instead think on their own. This paper will first briefly give an overview of the Virgin Group of companies and its history and development. The organizational structure and culture of the Virgin Group will help the reader understand the organization's processes and business practices and how the values and belief system of its founder has shaped its structure and culture. In addition, the reader will learn how the Virgin Group has established itself as a successful organization based on its structure and culture. The paper will apply some of the theories and concepts from the course textbook to the Virgin Group which will help to understand the working of this organization better. In conclusion, this paper hopes to emphasize the Virgin Group's overall journey through the years and the role that its structure and culture has played in its success.

About the Virgin Group

The Virgin Group is one of the most successful business empires today. This organization has established itself in diverse industries including mobile telephony, retail, music, financial services, travel, and many more. Virgin has ruled the British market and has expanded worldwide into other regions like North America, Asia, Africa and Australia. Starting out as a simple mail-order record retailer in 1970, Virgin has grown into one of the most successful business empires in the world. The Virgin Group has established more than 300 companies, employing around 50000 people in 30 countries. Its global revenues in 2009 exceeded US\$18 billion. (Virgin, n. d.) The majority of the Virgin Group's success has been credited to the founder and CEO of Virgin, Richard Branson. Branson's beliefs and philosophies are deeply rooted in the corporate culture of the Virgin Group. This has helped the Virgin Group to flourish in today's competitive business world.

History and Development

Richard Branson is the founder of the Virgin Group of companies. When he was a student at Stowe, he published a magazine called Student. The magazine was a success and it encouraged Branson to leave school and try his hand at new business ventures. His first target was mail-order records. He found that by putting a single advertisement in an issue of Student magazine, he was able to establish a thriving business with almost no up-front investment and no working capital. The name " Virgin" was suggested by one of his associates who saw the name as proclaiming their commercial innocence, while possessing some novelty and modest shock-value. In 1971 Branson opened his first retail store on London's Oxford Street. Virgin then

expanded into the recording industry and the result was the Virgin record label. By 1983, the Virgin Group was earning profits of 2 million pounds on total revenues of just under 50 million pounds. (Grant, 2008) Gradually Branson expanded into other ventures.

The Organizational Structure

Many assume the Virgin Group to be a multinational, but such is not the case. Each of the 300 odd companies of the Virgin Group operates separately and Branson serves as shareholder, chairman, and public relations supremo. Most of them are operating companies that own assets, employ people, and offer goods and services. These operating companies are owned and controlled by about 20 holding companies. The Virgin Group has a very complex structure. It has been termed both as a brand franchising operation as well as a keiretsu. (Grant, 2008) However, based on its structure, the Virgin Group can be safely termed as an organization with a keiretsu structure. A keiretsu is a group of organizations, each of which owns shares in the other organizations in the group, and all of which work together to further the group's interests. (Jones, Mills, Weatherbee, & Mills, 2006) Furthermore, such a large organization with a complex structure needs to be organic in order to be able to adapt to changes in its environment. An organic structure promotes flexibility, so people initiate change and can adapt quickly to changing conditions. (Jones et al., 2006)

Considering each of the individual companies as a department providing a unique product or service, it is evident that they exhibit product

departmentalization. Product departmentalization is the division of the

departments of an organization based on the type of product or service

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offered. (Jones et al., 2006) For example, Virgin Mobile offers cellular services while Virgin Records is a music label. However, the structure of the Virgin Group is so complex that it is necessary for it to not just have one type of departmentalization. For instance, Virgin Mobile has operations in many different countries like the UK, India and Australia. As such, the type of service varies in each of these countries. This shows that Virgin Mobile also exhibits geographic departmentalization. Geographic departmentalization is the division of an organization based on the geographic location. (Jones et al., 2006) In addition, type of service and products also varies depending on the customer base hence exhibiting customer departmentalization.

Customer departmentalization is the division of an organization based on the kind of customers it serves. (Jones et al., 2006) Since the Virgin Group of companies exhibit so many types of departmentalisations, the organization as a whole is said to have a hybrid structure, which is a mixture of two or more kinds of departmentalisations. This multi-divisional approach helps the Virgin Group to easily adapt to the cultural, technological and other forces in the region it expands to.

The division of labour and the hierarchy is also an important aspect of an organization's structure. The number of levels of authority, the control, and the amount of communication are key factors in the proper working of an organization. As mentioned, the Virgin Group's companies operate as separate organizations. The companies are part of a family rather than a hierarchy. They are empowered to run their own affairs, yet the companies help one another, and solutions to problems often come from within the Group somewhere. In a sense, Virgin is a commonwealth, with shared ideas,

values, interests and goals. (Virgin, n. d.) In fact, Branson himself has provided all his employees with the authority to make unsupervised decisions based on their intuition rather than following a chain of command. This leads to the employees having more confidence in them and in the management. Since interaction among all the levels of the hierarchy is promoted, it increases effective communication. This is evident from the fact that Branson personally interacts with employees on a regular basis discussing ideas and receiving feedback. The Virgin Group expresses self-sufficiency and effective communication. Virgin has a flat hierarchical structure and this enables quick and efficient decision making. The flat structure is one of the reasons that the Virgin Group has been able to expand into new ventures. In addition, a flat structure allows a wider span of control, and decentralization. Span of control is the number of subordinates a manager manages directly. (Jones et al., 2006) The decentralized structure of the Virgin Group gives more power in the hands of its employees when it comes to decision making. Decentralization is the delegation of authority to all levels of the hierarchy. (Jones et al., 2006) Branson believes that the employees are the backbone of the company and hence it is important that they have enough involvement and authority in decision making.

Since the Virgin Group comprises of so many companies, along with a decentralized structure, it should show some signs of organizational bureaucracy. However, Branson has ensured since the beginning to minimize bureaucracy as much as possible since he strives to flatten the hierarchy. Bureaucracy is a structure in which people are held accountable for their actions because they are required to act in accordance with rules and

standard operating procedures. (Jones et al., 2006) The efficiency of the employees is enhanced under Branson's leadership who emphasises a wide span of control and self management. Branson's scepticism of organizational hierarchy and a formal structure has contributed to organizational cohesiveness to a great extent. His adoption of this unorthodox strategy rather than traditional business practices and non-traditional structuring of the organization may be the reason for the Group's success.

The Organizational Culture

Much of the Virgin Group's culture is influenced by its founder Richard Branson's personal philosophies. Just as his employees are important to him, so are the customers the Virgin Group serves. The ability of the Virgin Group to operate effectively with almost a non-formal structure is because of its unique organizational culture. The culture of the Virgin Group reflects Branson's casual nature, his disrespect for hierarchy and formal authority, commitment to employees and consumers and his belief in hard work and responsibility. (Grant, 2008) This influences all of the companies in the Virgin Group and its organizational culture. This in turn, enables the Virgin Group to provide an environment in which talented, ambitious people are motivated to do their best and strive for a higher level of performance. However, even in an informal environment, a high level of commitment, acceptance of personal responsibility and long hours of work when needed is expected. Performance incentives at Virgin for most employees are diffident but Virgin provides benefits like social activities, company sponsored weekend getaways and impromptu parties. (Grant, 2008) Such an environment promotes better relations among the employer and the employees.

Virgin's unique culture has gradually progressed to where it is today. Virgin describes itself as a "family" emphasizing its informal but strong belief system and values. Possessing such a culture enables the Virgin Group to have effective coordination among its various departments. Working as a community rather than a corporation, instils the ability to communicate effectively among the many companies in the Group. The Group as a whole works together based on these shared set of values which are continuously strengthened. This is important considering the vast size and complexity of the organization. Following in the footsteps of its founder, Virgin has always maintained the belief that the employees are the biggest force of the organization and as such, should be treated with respect. (Virgin, n. d.) The management cares for the welfare of the employees and allows them to work in a free environment. Because of these primary beliefs and values, Virgin has been able to compete, thrive, and challenge new business opportunities. As mentioned before, Richard Branson has influenced the culture of the organization the most. He has managed to instil his belief system into all of his employees and this has motivated them to strive to perform better.

One of the many strong points in Virgin's favour is the fact that it is non-traditional; revolutionary even; in the manner it does business. Virgin believes in grasping opportunities. Contrary to what many people may think, Virgin's constantly expanding and eclectic empire is neither random nor reckless. Each successive venture demonstrates their devotion to picking the right market and the right opportunity. This has proved beneficial to the organization and is one of the many reasons for its success. (Virgin, n. d.)

Conclusion

Based on the analysis of the corporate culture and structure of the Virgin Group, it is evident that it is a highly successful organization most of which's credit goes to the founder and his values and beliefs. Even though the industry considers much of his methods to be unorthodox, these methods have proved highly beneficial to him and the Virgin Group and have been deemed to be effective. Not many today can dream of venturing into so many diverse industries starting from scratch. If Virgin continues to strengthen its culture and structure, it has the potential to become one of the most successful companies ever.