

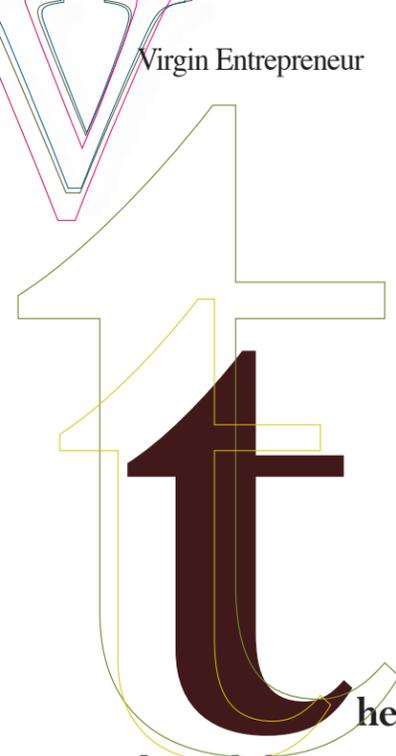
# Virgin Entrepreneur

*Richard Branson* started his first businesses as a youth. Decades later, he's still excited by the next new idea, the next challenge.

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JoAnna Vestley/Corbis



**he 20-something Richard Branson racked up a résumé that would impress no one: high-school dropout with poor reading and math skills. Failed get-rich-quick schemes. Long-haired, barefooted hippie. Struggling business that led to two arrests and a night in jail on suspicion of tax evasion.**

But as he turns 60 in July, Branson's life seems as golden as his locks. Worth about \$4.4 billion, he ranked as the 236th richest person in 2008, according to *Forbes*. Branson has put his Virgin brand on independent businesses in the airline, rail, space travel, financial, healthcare and beverage industries, to name a few. He has made headlines as a humanitarian, environmentalist and adventurer. In 2000, he was knighted for his services to entrepreneurship.

Perseverance, imagination and courage sustained his transformation. His family nurtured his independence and entrepreneurial spirit; however, many of his strengths were born out of struggles. Dyslexia, for instance, made reading and understanding some concepts painfully difficult. Even today, he says he doesn't trust numbers. "I don't complicate my life with financial reports," he says, laughing. But he compensated for what he lacked by exceeding in other areas, developing extraordinary people skills and learning to trust his instincts.

"I do a lot by gut feeling and a lot by personal experience," Branson says. "I mean, if I relied on accountants to make decisions, I most certainly would have never gone into the airline business. I most certainly would not have gone into the space business, and I certainly wouldn't have gone into most of the businesses that I'm in. So, in hindsight, it seems to have worked pretty well to my advantage."

As entrepreneurs struggle in today's economy to throw off the negativity and rekindle the bold spirit that fueled their passion in the first place, Branson has this advice: "Obstacles and challenges are healthy for everyone, not just entrepreneurs. They force you to think outside the box, so to speak—to be creative."

"The challenge is to follow through on a great idea. I think if [you've] got a great idea, you need to just give it a try," he tells *SUCCESS*. "And if you fall flat on your face, pick yourself up and try again. Learn from your mistakes. And, remember, you've got to go make a real difference in people's lives if you're going to be successful."

## Breaking the Rules

Branson's own challenges did not stop with his dyslexia. Though famous for his business risks and daredevil adventures, like record-setting attempts by balloon and boat, he's also seen his share of calamities. Branson took lessons from those experiences, but was never unnerved. In many cases, his failures led to innovation and greater success.

In his early years, his Virgin records shop continually experienced cash-flow problems, even despite its brisk sales. To pay off an overdraft, 20-year-old Branson pretended to buy records for export to escape an excise tax on

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sales within Britain. He was arrested and jailed for a night, released only after his mother secured his bail by pledging her home as collateral. Branson's plea bargain called for him to pay £60,000 or face rearrest, trial and a criminal record.

He had previously been arrested after founding his *Student* magazine for violating laws dating from 1889 and 1917 that banned publishing advice about remedies for venereal disease. But he was able to avert imprisonment with help from a good lawyer and was fined just £7. He emerged emboldened and vindicated.

But with charges of tax evasion, the law was clearly not on his side. "Avoiding prison was the most persuasive incentive I've ever had," and the next two years were a crash course in money management.

After that incident, Branson realized there were some rules he would heed in the future. "I vowed to myself that I would never again do anything that would cause me to be imprisoned or, indeed, do any kind of business deal that would embarrass me," he writes in *Losing My Virginity*. "My parents had always drummed into me that all you have in life is your reputation: You may be very rich, but if you lose your good name, then you'll never be happy."

He paid the fine and, looking back, realizes that failure to do so would have ruined his life. "It is unlikely, not to say impossible, that someone with a criminal record would have been allowed to set up an airline."

## Taking Flight

Indeed, the airline business was fraught with plenty of other challenges. Branson was aware of some of the obstacles related to starting Virgin Atlantic Airways, which was the clear underdog in the British Airways-dominated transatlantic market. He thought



"The Challenge is to follow through on a great idea," says Branson, shown with a model of the Virgin Galactic craft that will take tourists into space. Above, a younger Branson in a 1986 publicity shot.





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the big airlines weren't in touch with customers' needs and believed he could be successful by offering a more affordable and enjoyable flying experience. To minimize financial risk, Virgin Atlantic started out in 1984 with a jumbo jet leased for a year.

But during the government certification flight, the unexpected happened: Birds flew into an uninsured engine, which exploded. Insurance on the plane was dependent on the certification, and certification was dependent on a fully functional plane. A new engine cost £600,000 (more than \$1 million). Virgin's bank balked at the tab, so Branson pulled cash from overseas record subsidiaries to ease the crunch. Then Branson brought in financial specialists to restructure the company and find new banking backers.

Despite the setbacks, Virgin Atlantic was ready for takeoff a couple days after the engine failure, just in time for an inaugural flight filled with journalists.

Virgin Atlantic's competition with British Airways was perpetually difficult and financially draining. Branson even waged a lengthy court battle claiming British Airways had played dirty tricks to steal Virgin Atlantic's passengers. Branson agreed to a settlement in 1993 calling for a £500,000 payment to him and £100,000 to Virgin.

But amidst the competition, rising fuel prices and global economic woes in the early 1990s, the price to keep Virgin Atlantic flying was too great. To appease impatient bankers, Branson faced one of his most difficult decisions ever. Against the advice of his wife, Joan, he sold Virgin Music Group in 1992 to Thorn EMI. Ironically, Virgin had just contracted to record the Rolling Stones, a lifelong dream Branson would never realize.

Yet, the influx of cash from the sale—almost \$1 billion—allowed him to pay off loans on Virgin Atlantic and own it outright. The sale of the beloved music company also gave him new incentive to avoid the crippling indebtedness that put him at lenders' mercy.

## A New Approach

Out of what had been a chaotic and heartbreaking experience came a new business strategy: “branded venture capitalism,” as Branson calls it, which gives him control over a large number of companies with minimal financial risk. Today, the Virgin Group is an eclectic empire of more than 200 diverse companies that run independently with different shareholders and boards, yet share the brand, as well as the resources and collective knowledge and experience of others at Virgin.

## Adventures in Business

### Richard Branson's Success Strategies

➤ **Have fun.** “Any proposal I like must sound fun.”

➤ **Take pride in your work.** “What really matters is what you create. Does it work or not? Does it make you proud?”

➤ **Stay open to ideas.** “Some of the best ideas come out of the blue, and you have to keep an open mind to see their virtue.” For instance, Virgin Atlantic's in-flight massages and manicures began after a tip from his wife's manicurist.

➤ **Empower and Respect.** “Inspire people to think like entrepreneurs, and whatever you do, treat them like adults. The hardest taskmaster of all is a person's own conscience, so the more responsibility you give people, the better they will work for you.”

➤ **Pass the torch.** “All young people... need someone who can show them a future. They need to be able to work out what they can do with their lives, how they can enjoy their lives, how they can pay for it and how they can take responsibility for their actions. I think it's a shame that we teach children everything about the world, but we don't teach them how to take part in the world, how to realize an idea, how to measure the consequences of their actions, how to take a knock, or how to share their success.”

Sources: *Business Stripped Bare* and *Losing My Virginity*, both by Richard Branson



Branson believes in empowering talent to flourish, providing freedom and minimizing bureaucracy to foster creativity.

“Every business... operates according to its own rules. There are many ways to run a successful company. What works once may never work again,” Branson writes in *Business Stripped Bare*. “There

are no rules. You don't learn to walk by following rules. You learn by doing.”

In addition to Virgin Atlantic, Branson's airlines include Virgin Blue in Australia and Virgin America. He expects to fly even higher with Virgin Galactic, which plans to offer space

“Entrepreneurship is business's beating heart. Entrepreneurship isn't about capital; it's about ideas. Entrepreneurship is also about excellence. Not excellence measured in awards or other people's approval, but the sort that one achieves for oneself by exploring what the world has to offer.” **S**

tourism beginning in 2011 or 2012 (flights are \$200,000 per ticket, and the group has already secured almost \$40 million in bookings). Interested passengers include designer Philippe Starck, actress Sigourney Weaver, astrophysicist Stephen Hawking and, of course, Branson and his family.

In a new venture to encourage entrepreneurship, Branson launched PitchTV in March as part of Virgin Atlantic's 25th anniversary celebrations. The show will air the video pitches of wannabe entrepreneurs onboard and online. Virgin Atlantic's business travelers, many of them executives, will see the pitches, and each year Branson will select a favorite with a yet-undisclosed prize for the winner.

Branson remains mindful of his own entrepreneurial beginnings, as well as the fact that great ideas from up-and-comers help fuel the Virgin Group today. He tells *SUCCESS* that one key to entrepreneurial success is to “get a great group of people around you who believe in your idea.” Just as he had his family's support from his childhood to his earliest business ventures to his space flights today, Branson aims to provide encouragement and inspiration for other entrepreneurs. But, he says, the ultimate reward for an entrepreneur is individual and personal.