

Richard Branson, Virgin's Embedded Entrepreneur

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In his contribution to economic sociology, Mark Granovetter demonstrated that economic actions are embedded in a system of concrete social relations. This conception objected to theories that allowed to explain economic actions either by rational economic deliberation or by entire dependency on society structural factors exclusively. The economic sociologist indeed refuted these undersocialized and oversocialized conceptions of an atomized actor implementing rational economic rules or acting according to scripts intrinsic to societal institutions. Complementing Karl Polanyi's studies on embeddedness, he reaffirmed the dynamic interconnection between economic actions and society institutions, insisting on the role of social relations between economic actors. The case of British entrepreneur Richard Branson's Virgin Group illustrates Granovetter's thinking. Over the past 45 years, Branson's extensive practice of networking enabled the development of his companies in diverse sectors in reaction to social, economic and technological change, while in turn the agent's economic actions influenced his surrounding structure.

Richard Branson certainly is the most famous and popular entrepreneur in the United-Kingdom. Nearly 45 years have elapsed since he created his first business, the Virgin Mail Order Record Company that would send his generation its preferred music at discount prices. He was then only 19 years old, had left boarding school at 16 with barely six O-Levels passed and was living in his parent's London *pied-à-terre*. Today, Sir Richard is at the head of an international venture capital conglomerate which recorded \$24bn global revenues last year. From more than 50 countries, Virgin Group's branded 300 companies or so circulate the red logo throughout the world. With a fortune Forbes estimated at \$4.6bn last year, the man lives half-year in the Virgin Islands and declares he now dedicates 30% of his time to business and the rest to doing good.

Branson's notoriety comes first from his firm's prosperity, but the entrepreneur has also cleverly built and defended his popularity. Helped by a society without prejudice against social success, he has earned himself the image of an entrepreneur-adventurer whom neither anything nor anyone can stop. This complex media animal does not win unanimous support, but he leaves no one indifferent. Branson has therefore been the object of many studies which insist on his personal business skills and his original personality guided by the pursuit of adventure.

This paper purports to throw another light on the career path of this businessman by linking Branson's economic actions to his environment. The case-study

will be conducted along the lines of the embeddedness theories developed by economic sociologist Mark Granovetter. It will follow his ideas that economic actions can be better explained when keeping in mind their dynamic interaction with society and their insertion into systems of concrete social relations between actors. As it is a framework study rather than a complete empirical analysis, this paper will not systematically dissect each economic decision that the entrepreneur took over the last 45 years. Rather, it is based on the selection of some decisions of business creation that seem representative of Virgin's process of diversification. It will also consider the successive managerial actions of internal firm organisation that led to the current conglomerate structure. The purpose being to find explanations for these actions in Branson's environment, this environment will be regarded in as many dimensions as possible, from the biggest of British and global society to the smallest of family and friends' circles.

A first part will define the theoretical framework that Branson's case will illustrate, going back to the origins of the theories of embeddedness. Karl Polanyi's distinction between the pre-capitalist economies where production and distribution processes were embedded in society, and the disembedded market economies, will be exposed. It will lead to a short recall of the subsequent substantivist-formalist debate, and a parallel with the structure-agency debate. The presentation of Mark Granovetter's conclusions over economic actions being embedded in a system of social relations will follow.

The second part will draw a short overview of Virgin's history through the last 45 years. Emphasis will be put on the link between the ever-evolving socio-economic contexts and some of Branson's economic decisions as regards company creation. It will thus throw light on Virgin's seemingly over-diversification.

In the third part, how Branson's decisions resulted from rational economic deliberation in a market economy will be reminded, while the fourth part will relate how these decisions could also be seen as the outcome of society phenomena. Some form of external constraints that hamper autonomous choice will thus be acknowledged.

Following the example of Granovetter, the fifth part will try to empirically moderate the previous approach. Indeed, it will analyse examples of interactions between Branson's economic actions and his environment, while insisting on the agent's ability to act on his own behalf.

Lastly, Branson's case will be used to illustrate Granovetter's reflection over economic actions being the emanation of concrete social relations. The economic sociologist's view will be confronted to examples of links between Branson's economic actions and his concrete relations with his family, friends and like-minded acquaintances, without forgetting the role of the connections with his new partners and clients.

Theoretical framework about the embeddedness of economic actions in society

The concept of embeddedness stems from the work of Hungarian economist and historian Karl Polanyi (1886-1964). According to Fred Block, Polanyi possibly adopted the term from his readings about the English mining industry that extracted coal “embedded in the rock walls of the mine”.¹ Polanyi used the term to describe the strong insertion of the pre-capitalist process of production in society institutions. For example he wrote:

Under the guild system, as under every other economic system in previous history, the motives and circumstances of productive activities were embedded in the general organization of society. The relations of master, journeyman, and apprentice; the terms of the craft; the number of apprentices; the wages of the workers were all regulated by the custom and rule of the guild and the town.²

Polanyi established that in pre-capitalist societies, the modes of production were dedicated to the satisfaction of the needs for material goods. Those modes were smoothly regulated (“ordered”) by the two “principles of behaviour”³ of reciprocity (among families and kinship) and redistribution (by the chief among communities or tribes, for example). He then criticized the classical economists for advocating a capitalist model in which the modes of production and distribution would not find their roots in society, with capitalist production aimed at exchange for profit and order implemented by the self-regulating market. Polanyi accepted the market as one institution among others, economic and noneconomic, in which the human economy was embedded. However, he defended the idea that the market should not prevail, noneconomic institutions like religion or government being “as important for the structure and functioning of the economy”.⁴ Indeed, he argued that the classical economists’ market model would entail the following reverse chaotic situation:

The market pattern, on the other hand, being related to a peculiar motive of its own, the motive of truck or barter, is capable of creating a specific institution, namely, the market. Ultimately, that is why the control of the economic system by the market is of overwhelming consequence to the whole organization of society; it means no less than

¹ Fred Block, “Introduction”, in Karl Polanyi, *The Great Transformation: the Political and Economic Origins of our Time* (Boston, Beacon Press, 1944, 1957, 2001), note 10, xxiv. Further discussion could question the adoption of the term “embeddedness” in economic sociology. The mining industry image of coal embedded in the rock walls assumes fixity and immobility. If movement may be introduced, it is that of the extraction of the coal pieces which have the shape of the hole left in the wall, which implies exact reproduction. These characteristics are not what contemporary economic sociology keeps when referring to embeddedness in society.

² Karl Polanyi, *The Great Transformation: the Political and Economic Origins of our Time*, *ibid.*, 73.

³ *Ibid.*, 49.

⁴ Karl Polanyi, “The Economy as Instituted Process”, in *Trade and Market in the Early Empires: Economies in History and Theory*, eds. Karl Polanyi, Conrad Arensberg and Harry Pearson (New York: Free Press, 1957), 250.

the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system.⁵

Polanyi's work was the cornerstone of a "substantivist-formalist" debate among economic anthropologists opposing his substantive conception of the economy as "an instituted process of interaction between man and his environment"⁶ to the formal approach viewing economic behaviour as totally independent from society institutions and principles. Economic anthropology formalism developed along the same lines as the neoclassical economists' of rational preference granted to the options that would maximize utility or profit. For instance, economic anthropologist Harold Schneider's research on East-African pastoral tribes led him to the conclusion that optimizing behaviour existed even in non-capitalist societies⁷ while economist Oliver Williamson explained the existence of hierarchically organised firms by their higher efficiency in reducing transaction costs than recourse to the market could offer to self-interested individuals.⁸

The "substantivist-formalist" debate echoed the sociologists' "Structure versus Agency" that underpinned the research on the factors influencing the actor's actions. Some proponents of "structure" (or "institution") have asserted the domination of a scheme imposed by social structures or entities, such as organisations or states, that "act as external constraints over [their] members"⁹ in decision-making and acting. On the other hand, some partisans of "agency" have insisted that actions are the only result of the "faculty for action", that is to say the capacity to act – or to not act – on one's behalf exercised by human beings driven by "reflexivity, deliberation and intentionality".¹⁰

Just as some modern sociologists reconciled structure and agency,¹¹ Mark Granovetter swept away the "substantivist-formalist" debate through his contribution to the already substantial research on cognitive, political, cultural and structural embeddedness.¹² In 1985, the American economic sociologist demonstrated that both substantivism and formalism were too extreme and resulted in an equivalent atomization of actors. On the one hand, the

⁵ Ibid., 60.

⁶ Ibid., 248.

⁷ Harold K. (Hal) Schneider, *Economic Man: The Anthropology of Economics* (New York: Free Press, 1974).

⁸ Oliver Williamson, *Markets and Hierarchies, Analysis and Antitrust Implications* (New York: Free Press, 1975).

⁹ Rob Stones, "Structure and Agency", in *Blackwell Encyclopedia of Sociology* (Maryland, George Ritzer, 2007).

¹⁰ Stephan Fuchs, "Agency (and Intention)", in *Blackwell Encyclopedia of Sociology* (Maryland, George Ritzer, 2007).

¹¹ See Pierre Bourdieu, *The Logic of Practice* (Cambridge, Polity Press, 1990) and Anthony Giddens, *The constitution of society: Outline of the theory of structuration* (Cambridge, Polity Press, 1984).

¹² See Isabelle Huault, "Embeddedness et théorie de l'entreprise; autour des travaux de Marc Granovetter", in *Annales des Mines* (Paris, Série Gérer et Comprendre, juin 1998) 73-86.

oversocialised conception implied the actor would automatically follow a script predetermined by family background, social class, labour market sector, etc. In doing so, it ignored that “culture is not a once-and-for-all influence but an on-going process, continuously constructed and reconstructed during interaction...”¹³ Here one could recognize Giddens's structuration theory in which structure both constrains and enables the agents' actions that in turn reproduce or change it, thus revealing itself as “the medium and the outcome of the conduct it recursively organizes”.¹⁴ On the other hand, Granovetter refuted the undersocialised utilitarian conception which attributed economic actions to the only rational pursuit of self-interest in a fictional market of perfect information and competition.¹⁵ He concluded that “[actors'] attempt at purposive action are instead embedded in concrete, ongoing systems of social relations”.¹⁶ Actors therefore keep agency (purposiveness): They do not act automatically from normative scripts or market rational rules. But their deliberative choices are influenced by how they dynamically interact with others.

Granovetter then explored the issue of trust that accounts for the relatively marginal occurrence of malfeasance in the economy. He put aside the undersocialised considerations of the “new institutional economists” and the “structural-functional sociologists” since he thought they deprived actors of their ability to trust by assigning the role of discouraging malfeasance to institutional arrangements only. He also rejected the oversocialised belief in “generalized morality” for its utopian automatic and universal characteristics.¹⁷ Instead, he developed a social embeddedness conception of trust he defined as the result of concrete personal on-going relations between the concerned economic actors.¹⁸ More precisely, he claimed that trust between economic actors comes from what they know about each other, and that in this matter, their own past and present economic and social relations with one another provide them with even better information than what a tier or reputation could.¹⁹ Similarly, should a dispute occur, those economic and social interconnections represent better grounds than written contracts for negotiating a solution.²⁰ These lines of thought underpin his criticism of Williamson's assertions on the causality link between the need for reducing transaction costs and the formation of hierarchically organised firms. For Granovetter, the choice of a particular form of organisation would be better understood by paying attention to the patterns of personal relations.

Virgin Group's founder and President Richard Branson provides a good example of Polanyi's and Granovetter's embeddedness conceptions. Since the

¹³ Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness”, in *American Journal of Sociology* (1985), 486.

¹⁴ Anthony Giddens, op. cit., 374.

¹⁵ Mark Granovetter, op. cit., 483-484.

¹⁶ Ibid., 487.

¹⁷ Ibid., 489.

¹⁸ Ibid., 490-493.

¹⁹ Ibid., 490.

²⁰ Ibid., 495-497.

very end of the 1960s, the British entrepreneur's actions have been embedded in an ever-transforming society: The story of Virgin's boss illustrates the dynamic interconnection between an economic actor and his evolving environment, as well as the issue of trust in entrepreneurial activity.

Historical overview of Virgin's 45 years of economic activity

Richard Branson's entrepreneurial actions have developed in the British social, political and economic context of the last 45 years. From the mid-1960s to now, this context has immensely changed. Yet, Branson's actions have always adapted, his responses to market opportunity modifications evolving accordingly, as the examples selected below will show.

In the mid-1960s, the United-Kingdom went through a major societal transformation, the British society suddenly freeing itself from the shackles of rules and conventions inherited from the Victorian era. While Parliament progressively modified legislation towards more individual freedom and equality,²¹ the so-called "underground" movement sprung up into the open. Rejecting their parents' consumerist lifestyle, the anti-establishment youth organised to freely live their sexual, musical and drug experiments and express their convictions. Protests flourished against international controversial situations like the Vietnam war or the Rhodesia white-minority domination, or to denounce domestic issues like the questioning of the Welfare State or the disputable living and studying conditions of students. Since most gathering and demonstrations of the youth remained peaceful in Britain, Harold Wilson's Labour government did not exercise violent coercive methods. The consequently permissive atmosphere allowed the youth to think nothing could stop them.

It was in this context of the British youth's protesting breakthrough that 17-year-old Branson created his first venture, *Student Magazine*. Though exploiting the fashionable trends of political activism, *Student Magazine* was not a second *IT*.²² Yet, it had scarcely anything to do with the initial project rolled out by Branson and his school-mate Jonny (Jonathan Holland Gems) of an inter-high-school journal that would help pupils to make their school life evolve. The proof of it is the first issue featured political activist and actress Vanessa Redgrave, openly homosexual painter and photographer David Hockney and the Beatles' album *Sergeant Pepper's Lonely Hearts Club Band* cover co-designer Peter Blake, among others.

²¹ Listing all legislation passed in favour of individual freedom and equality would be too long, but one should remember the Race Relations Act banning racial discrimination in public places (1965), the Abortion Act (1967), the National Health Service (Family Planning) Act which legalised birth control regardless of marital status (1967), the Sexual Offences Act which decriminalised homosexual acts in private (1967), the Murder Act which abolished death penalty for murder in Britain (1965), and the Divorce Reform Act allowing de facto separation without evidence of fault (1969).

²² *IT* (or *International Times*, as it was first named) is a provocative magazine (now exclusively online) launched in 1966 by underground activists John Hopkins and Barry Miles.

The magazine rapidly proved successful, but not profitable. While Branson had progressively focussed from editorial onto accounting and fund seeking tasks, he had become attentive to money making opportunities. When after nearly three years of publication the magazine started faltering, Branson had already found a way out. First, his generation would not live without music, which made music distribution a high potential activity as regards the huge customer base that the numerous baby-boomers represented. Second, the existing music distribution companies such as WH Smith and John Menzies answered neither the young generation's insatiable thirst for the most recent recordings nor its need for lower prices. And last, the abolition of the Resale Price Maintenance Law in 1964 had remained unnoticed and unexploited. In 1970, Branson therefore took advantage of these concurrent factors and simply used *Student Magazine's* last issues to launch a mail-order firm that would send his generation its preferred music at discount prices: Virgin Mail Order Record Company.

The store concept of Virgin Mail Order Record Company, the first element of what would become Virgin Retail, was then born in 1971 only because of (or thanks to) a British social movement. When a postal strike prevented Virgin Mail Order Company from selling its stocks of records and paying its suppliers, Branson had to find out an emergency solution. With his second business partner and childhood friend Nik Powel, he rushed to pace up and down Oxford Street in search of a good location for a shop. Within five days, the first Virgin Record Shop opened its doors on small premises filled up with a till, two old sofas, cushions and records packed at mezzanine level above a shoe-shop.

Ten years later, Thatcherism encouraged privatization, financial deregulation, free competition and business creation. The golden age of the 1980s was synonymous with an explosion of consumerism: Most grown up baby-boomers forgot their underground years and were metamorphosed into customers wanting profusion, diversity and luxury. This turnaround incited Branson to change his tack in several domains. As far as music distribution was concerned, Branson adapted to his clients' change of mind by designing the concept of the Virgin Megastores which he spread throughout the world. With regular money coming in, thanks to Virgin Retail but also the great hits released by independent label Virgin Records set up in 1973, the entrepreneur could consider new investment. He was thus very receptive when American lawyer Randolph Fields came to reveal a new opportunity in the airline sector: The niche of a transatlantic air service between London and New York had remained available since the bankruptcy of Freddie Laker Company, the former user of the line until 1982. And as it happened, contacts with the Boeing Company went well: The aircraft manufacturer had one B747 available and accepted to rent the plane for a single year if necessary. As for competing against monopolistic British Airways, Branson did the trick by staging personal advertising buzzes and proposing his passengers what he wanted himself. So this is how the Maiden Voyager of newly founded Virgin Atlantic took off from Gatwick in June 1984, with upgraded first-

class services at business-class prices and original on-board club-like entertainment.

The beginning of the 1990s proved to be hard times. The international economic slowing down, the British 1990-1992 recession and the first Gulf war dramatically affected Virgin Atlantic and Branson's finances, which compelled the entrepreneur to renewal. The choice was to keep Virgin Atlantic afloat and sell Virgin Music to EMI in 1992. The income derived freed Branson's hands and mind and enabled him to concentrate on thinking about new projects.

He was then spoilt for choice in a hugely favourable environment resulting from the conjunction of British small business policy reinforcement, the development of the concept of joint-ventures and the boom of new technologies. Hence the creation of online services in existing Virgin firms and that of new Virgin companies like Virgin Rail, Virgin Mobile and Virgin Galactic Airways. For example, Virgin's Pendolino Class 390, a pendular train, would not be running from Euston to Birmingham, Manchester, Liverpool and Glasgow at more than 125 miles per hour if it had not been for British Rail privatization in 1997 and the allocation of lines to private companies, plus technological research and development performed by Alstom. Branson's genius idea was to invest in the liaison of both.

This short overview²³ of Virgin's history is clearly meant to explain the entrepreneur's actions in the light of the last 45-year ever-evolving cultural, economic and technologic contexts. This approach allows to better understand the entrepreneur's seemingly dividing of focus between various economic sectors (entertainment products selling, entertainment products production, airways transport, railways transport, mobile telephony, to only sum up the sectors mentioned above). It permits to comprehend Virgin's so-called over-diversification, that worried commentators,²⁴ as a real adaptation strategy.

Virgin's rational entrepreneur seeking profit

One can easily assume that throughout his economic life, Branson acted as a market economy entrepreneur, after rational deliberation. Indeed a set of options corresponded to each successive situation he faced, out of which he would rationally choose the one that served his individual economic interest best, in terms of maximum profit at low costs or recovery from tough times.

For example, when *Student Magazine* started drying up after Branson found himself alone at the controls, Holland gone back to his studies and Powel dismissed for attempted rebellion, hiring a new partner was an alternative. Yet

²³ For more on the Group's history, see Nathalie Champroux, *Richard Branson, L'Aventure Virgin* (Paris, Economica, 2011), 9-78.

²⁴ Robert Dick, "Branson's Virgin: The coming of Age of a counter-Cultural Enterprise" (Fontainebleau, INSEAD *Case Study*, March 1995); Robert M. Grant, "Richard Branson and the Virgin Group of Companies in 2004", in *Contemporary Strategy Analysis* (Blackwell Publishing, 2005) 308-335; Tigran Voskanian, "Virgin Group", in *Corporate Strategy* (European School of Economics online courses), at <http://esecourses.com/cfincase.pdf>.

Branson chose to switch to mail-order selling because, as he wrote himself: “it struck me as a very interesting business opportunity”²⁵. As for tough times, the opening of the first shop on Oxford street was the only economic survival step to take. And here is how the entrepreneur recalls his ratiocination about how to solve the financial issues of the beginning of the 1990s:

If Virgin Atlantic went bust, I couldn't even be sure that Virgin Music would remain intact ... it became increasingly clear that we had to find some radical solution ... Virgin music was our only seriously profitable business, and it was our only chance to save the airline. With the weight of bad publicity caused by BA hanging over us, we couldn't sell Virgin Atlantic as a going concern, but we could sell Virgin Music as one.²⁶

It is evident that over 45 years, there is a multitude of examples of Branson's rational business logic performed in the context of the British and then global competitive market economy. The ones selected above help to clarify Virgin's activity diversification. Some others throw light upon Virgin Group's current organisational and financial structure.

Student Magazine might have been the only venture Branson owned as a sole proprietor. The journal was his only, and all transactions like advertising space sales, printing and distribution charges, and the salaries of the editorial team went through his own account at the Coutts bank. But after the magazine, Branson always shared his other companies' ownership. For instance, from inception, he offered 40% of the Virgin Mail Order Record Company to partner and friend Powel, and 20% of independent label Virgin Music to his South-African cousin Simon Draper. Sharing ownership first allowed him to delegate tasks according to competence and to encourage commitment for better results. Yet, he was continuing to be the source of extra liquidities when the bank required them, a system that could not last forever.

So when Coutts's refusal to extend the overdraft threatened Virgin with bankruptcy the day after the Maiden Voyageur's first flight, Branson started modifying the financial and organisational patterns of his group of already numerous companies. First, he left Coutts and appealed to banking consortiums. Second, he appointed a managing director (Don Cruickshank) and a finance director (Trevor Abbott). Third, he turned to the stock-exchange, with a temporary floatation experience for the Virgin Group as a whole in 1986-1988. And last, he had increasingly recourse to the joint-venture concept with, to begin, the sale of 25% of Virgin Music to Japanese Fujisankei in 1989. Progressively, he invested less than his partners in the joint-ventures.

Today, Virgin is a venture capital conglomerate regrouping more than 300 companies operating in 50 countries around the world. The group is led by a President, a CEO, a CFO and “partners” supervising its financial positions and transactions, overseeing its expansion in varied economic sectors and acting as

²⁵ Richard Branson, *Losing my Virginity: The Autobiography* (London, Virgin Books, 1998, 2007), 77.

²⁶ *Ibid.*, 365.

non-executive directors on the boards of the companies. The latter are autonomous as regards their books (the accounts are not consolidated), their financial resources, their human resource management and their development strategies. What maintains the coherence of the conglomerate, apart from the investment common origin and the attendance of the Group core leadership in the companies' boards, is the use of the red stamped brand and the corporate culture spread and personified by Branson himself.

From the description above, one can see that Branson transformed Virgin's economic structure according to the organisational needs of the moment. The decentralized family structures of the 1970s were underperforming in the 1980s, because of the multiplication of companies in various sectors and the increasing complexity of the activities. On the contrary in the 1990s, the intensification of the latter phenomena, as well as the swing towards venture-capital activities via joint-ventures, led to a reverse need for less centralization. Each time, Branson established the best performing type of organisation in view of the circumstances, which is somewhat reminiscent of Williamson's 1975 view that organisational forms vary according to their efficiency to manage economic transaction costs.

Branson's entrepreneurial actions constrained by society institutions

Branson's actions can also be discussed as regards their embeddedness in society, starting with his family and social origins. For the sake of myth, let us remember that young short-sighted and dyslexic Branson could not read at 8 years old, excelled at sports but was deprived of this leverage tool by a knee injury when he was 11, and left boarding school at 16 with barely six O-Levels passed.

Nevertheless, he was brought up within an educated middle class family, being the grandson and son of lawyers. Even though he describes a childhood spent in frugality in the countryside,²⁷ he went to Stowe Boarding School in Buckingham, would have summer holidays in Salcombe, Devon, and could go and start working on his magazine in his parents' London *pied-à-terre* in Albion Street. In addition, the female branch of his family acquainted him with self-employment. Initially an airline hostess before marrying, Branson's mother hand-made and sold wooden tissue boxes and wastepaper bins to many shops among which Harrods. There was also Branson's aunt Clare who created her own business of woollens and by-products of Welsh black sheep, the Black Sheep Company.

As for education, Branson was accustomed to risk-taking from a very early age, his parents setting him all sorts of physical challenges. He was also brought up in a rather marginal environment, with aunt Clare practicing biplane flying and parachuting. But above all, his parents would inculcate autonomy and encourage initiatives. At 13 years old, he and his friend Powel were not stopped from embarking on growing 400 Christmas trees in the family field of Tanyards Farm in Shamley Green. The following year, when Branson decided to breed parakeets

²⁷ Ibid., 23.

to sell them, his father built the birdcage and his mother looked after the birds. So if predestination exists, Branson was certainly not meant to be a disciplined factory blue-collar.

Of course family and social origins taken on their own do not suffice to elucidate Branson's entrepreneurial actions. Account should also be taken of the existence of society-scale factors of influence such as those introduced by this paper short historical overview of Virgin. Family and social origins prepared the entrepreneurial spirit and society provided the framework, to which must be added the age factor. Branson was a very young business-creator in his twenties at a time of seizure of power from the youth and numerous vacant opportunities revealing. He was a wild entrepreneur in his thirties in a context of economic liberalism and free-enterprise promotion. He was a mature business-man in his forties and fifties during the 1990-1992 recession and the following era of sustained economic growth under Labour leadership. From this point of view, Branson's economic actions seem to have been conditioned by society factors that limited the entrepreneur's ability to act on his own behalf. It seems that the theory could even apply when Virgin's organisational transformation is concerned.

Branson declares he now dedicates 30% of his time to business and the rest to doing good – focussing on environmental issues at the moment. So one could conceive that as Branson grew in age, maturity dampened his creative drive while wisdom slid his focus away from purely capitalist activities towards environmental and peace preservation ones. In other terms, just like Warren Buffet, Bill Gates and George Soros, the old lion phased out frolicking or fighting and lied down to watch over his community. Constrained by his social position as Virgin's boss, he had to secure the group's perennality, which he did by entrusting young innovators with creation, autonomous companies' CEOs with realization, and Virgin's core leadership with maintaining the Group's unity. At the same time, Branson became disembedded from Virgin's customer base. From his twenties to his fifties, he had erected his economic activities on the needs, that he perfectly grasped, of his contemporaries (both in terms of age and social class). As he grew older and richer, addressing his contemporaries meant reducing his customer base and profitability. Branson's public image remained that of a very active man, fit, sporty, technologically up-to-date and creative. But his contemporaries may no longer share his life-style. Yet, the customer base went on rising, because the clients of Virgin's companies did not only grow older with Virgin, they renewed. So to ensure a maintained contact between Virgin and this new customer base, Branson took the economic – or rather marketing – action of partly transferring his representation power to his daughter Holly.

Interaction between Virgin's autonomous agent and society

Though they must be taken into consideration, the reasons for Branson's actions advanced above present the flaw of subscribing to the undersocialised or oversocialised conceptions of the atomized actor.

First, they disregard the role of the entrepreneur in the generation of his own environment whereas the concept of structuration perfectly applies to Branson's case. The idea that structure has an enabling value for the agents' actions has already been suggested when linking Branson's actions to opportunities provided by British evolving socio-economic context. To this must be added that Branson's case blatantly verifies the assumption that economic actions reproduce or change structure.

At the micro level of Virgin, the interaction between the actor and the organisation structure is obvious. Branson was responsible for the extreme diversification and expansion of the companies, which consecutively led him to remodel Virgin into a conglomerate.

At the macro-level, from the moment he quitted childhood and became a real society actor, Branson exerted various forms of influence on the British social and economic structure. He was the seemingly disinterested²⁸ origin (or active support) of the realization of social innovations, like the creation of the Student Advisory Center during *Student Magazine* time, Johannesburg's Branson School of Entrepreneurship, and peace-activist international non-governmental organisation The Elders. He created companies that had high social responsibility, even though with a lucrative objective, like stem cell storage company Virgin Health Bank and renewable energy research company Virgin Fuel. He willingly altered the rules of the markets he operated on – his recurring economic activity consisting in the distribution of existing services with the added value of client-centric marketing innovations. From the inception of the Virgin Mail Order Record Company breaking new ground in record selling, to the very recent launch of so-called “revolutionary” Virgin Mobile's Telib, Branson has ostentatiously endorsed the Schumpeterian role of the disruptive entrepreneur. Indeed, in accordance with Joseph Schumpeter's process of “creative destruction”,²⁹ his innovations have forced existing companies to adapt and/or innovate in an attempt to regain their competitive advantage, which contributed to economic and social progress.

In fact, Branson has a deep consciousness of his potential ability to change his and the others' lives. He has repeatedly claimed that improving society is the responsibility of those who can – like successful business-men. This reflexivity tends to accredit the actor's agency conception, though it is also linked to the educational constraint.³⁰ For Branson and Virgin, it is so significant that disruption even became the brand identifying mark on the occasion of Virgin Records anniversary in October 2013: The anniversary exhibition theme was “Virgin Records: 40 Years of Disruption” and the Group instigated a special event debate for “Virgin Disruptors” to examine whether technology had killed the

²⁸ One could always argue about the positive publicity these innovations could yield to Virgin.

²⁹ Joseph Schumpeter, *Theorie der Wirtschaftlichen Entwicklung* (1926, 2nd edition), French translation: J. J. Anstett, *Théorie de l'évolution économique* (Paris, Dalloz, 1935, 1999).

³⁰ Indeed, notice Branson's declaration: “My parents had brought me up to think that we could all change the world”, Richard Branson, op. cit., 39.

music industry. However, ironically enough, history also indicates the disruptor participated in the process of capitalist economy and consumer society amplification. And in turn this amplification created adequate conditions for Branson's economic actions. The entrepreneur's case therefore definitely confirms the belief that economic actions are built in a society structure they are partly responsible for.

Moreover, Branson's case does not validate the atomized actor theories of economic actions induced exclusively by external constraints which impose rational economic universal rules or society institution scripts. Empirical study obliges to recognize the entrepreneur's agency in many situations. For example, when Branson designed his Virgin Atlantic project, there was neither profit-making guarantee nor institutional pressure. Although Branson remembers he calculated that "the most Virgin would lose would be £2 million ... less than a third of [1984]'s profits",³¹ his recollection of his economically-oriented deliberation over the project is only about risk assessment, not about profit forecasting. And this makes sense since the expectations of proceeds were highly uncertain because the market was mostly occupied by state-baked up British Airways. As for institutional constraints, they rather forced in the reverse direction of project withdrawal. Virgin was categorized as a prosperous music producer and distributor. Branson's project of intrusion in monopolistic airway transport not only aroused doubts from commentators and retaliatory response from competitors, but also opposition within the entrepreneur's close circle of collaborators Powel and Draper. Yet, Branson decided to take off.

In the latter example, agency was exercised to the full, irrespective of capitalist rational concerns, society institution constraints, and even social relations, presumably. This would grant the exception to Granovetter's demonstration that "most behavior is closely embedded in networks of interpersonal relations".³²

Branson's actions embedded in networks of interpersonal relations

Social connections undoubtedly played a major role in Branson's economic action of company creation. As the entrepreneur says, "Business is all about personal contact".³³

One of the roles endorsed by Branson's family circle was that of providing the first funds necessary to act economically. At the time of *Student Magazine*, his mother lent (or gave) him all the money she could to keep him on an even keel. And in 1972, his aunt Joyce lent him 7,500 pounds and his parents donated 2,500 pounds they had saved, so that he could buy and install his first recording studio.

³¹ Ibid., 193.

³² Mark Granovetter, op. cit., 504.

³³ Quotation of Richard Branson taken from Jack Preston, "Richard Branson: Why you should network" (31 December 2013) at <http://www.virgin.com/entrepreneur/richard-branson-why-you-should-network>.

Apart from this financial support, Branson's close friend circle first dispensed the logistic help and the specific competence the entrepreneur needed in order to act successfully. Branson admits that there are many domains he is not good at, but that his strength lay in his ability to surround himself with the right persons. In this respect, his close friends and family (Holland, Powel and Draper) were the first faithful partners he could count on.

The personal relations Branson experienced with his circle also had a indubitable influence on the choice of his economic moves. Bearing out Granovetter's theory, some of Branson's actions were determined by the domination of his trust in a person's competence rather than in another's. For example, during the economically harsh times of the beginning of the 1980s, Branson had to select one among the two options of total spending cuts advocated by Powel, and debt-financed investment advocated by Draper. The entrepreneur trusted Draper's ability to discover artistic geniuses that could bail out Virgin, and signed the Human League band and singer Phil Collins.

Friends and family were also at the origin of the network of acquaintances Branson then superbly cultivated. Indeed, Holland's mother was a London successful playwright and the boy had grown in the sphere of artists, writers and journalists. So when the two friends started the venture of *Student Magazine*, they already had a nice network of persons to feature and to use the connections of. This network never ceased swelling. Branson did not only nurture it through professional relations; He also organized social gatherings like huge parties in London or week-ends on his Necker Island in the Caribbean, or used Virgin's means to get involved in humanitarian aid, which brought him friends in the highest places.

Where Branson apparently failed to forge social links was with the banking sector. Indeed, in his autobiography, Branson never speaks of extra-work relations with his Coutts banker. In the end, the professional relation finished in 1984 when the bank demanded strict application of terms and conditions, which corroborates Granovetter's acceptance of the aggravating effect of the recourse to contracts in the settlement of professional disputes.³⁴ Moreover, the outcome validates Granovetter's theory on the role of past dealings in generating trust³⁵ or, in this case, in generating the distrust that led to Branson's action of dismissal of his banker. To extend analysis in the same line, it would be interesting to investigate whether some social interpersonal relations with venture-capitalists like him was at the origin of the joint-ventures.

Nevertheless, it would be wrong to conclude from the above examples that all of Branson's economic actions were governed by his interaction with his circle of family, friends or acquaintances. Branson's agency could also challenge his well-established social relations, such as with the decision to set up Virgin Atlantic despite the disapproval of his partner-friends. In this case, Branson's action had found its root in two elements. One was the prospect of fun. Indeed, this is how

³⁴ Mark Granovetter, op. cit., 496.

³⁵ Ibid., 490.

Branson remembers the discussion with his partner-friends: “ ‘Virgin can afford to make this step. The risk is less than a third of this year’s profits. Money from Culture Club is pouring in. And it’ll be fun.’ ... both winced when I said ‘fun’, which is a particularly loaded word for me – it’s one of my prime business criteria.”³⁶ Branson considers fun as a key to successful business he recommends in his business literature³⁷. As having fun implies the interaction with others, this permanent justification for Branson’s choices leads back to the link between social relations and economic actions. Apart from the prospect of fun, Branson also took the decision of embarking on airway transport because of the intervention of Randolph Fields, who was an external new comer. The weight of networking mattered here too, but the prevailing network was of a pure business nature and mainly fuelled by professional reputation. Indeed, Fields did not know Branson but came to solicit his financial help for the creation of a new airline. One can imagine he had heard of both the financial position and risk-taking spirit of the entrepreneur. Similarly, Boeing Company had never worked with Branson but its facility to rapidly accept his particular terms might have been guided by the reputation of Virgin Group and its boss.

In Branson’s case, reputation, as the first mode of information,³⁸ appears decisive. The entrepreneur needed to exhibit expertise and fairness to attract partners. Hence his entrepreneurial discourse spread through his writing of books and his association to institutions and events about entrepreneurship. Indeed, the success of his economic actions legitimated his tutorial position and established Virgin’s reliability as a consultant and investment group. Therefore, Branson attached great importance to his reputation of success. He repeatedly minimized his failures, like Virgin Pubs or Virgin Clothing, and one must notice his acceptance of the Royal honour of knighthood for “Services to Entrepreneurship” in 1999. On the other hand of the chain, Branson wanted to divert customers from his competitors. Perfectly integrated into the post-modern showbiz society, he also constructed his own image of the likeable flamboyant maverick-humanitarian-adventurer entrepreneur.³⁹ The reality may not be so glamorous⁴⁰ when considering legal proceedings with displeased former employees or partners and Virgin’s tax evasion through holdings, but Branson hired good public information monitoring service and legal department staff to defend his reputation and that of the brand. Indeed, people in developed countries are increasingly aware of the environmental and social consequences of their economic choices and the relation

³⁶ Richard Branson, op. cit., 193.

³⁷ See Sir Richard Branson, *Like A Virgin: Secrets They Won't Teach You at Business School* (Virgin Books, 2013).

³⁸ Ibid.

³⁹ Note that Branson is not the only entrepreneur who constructed his own image from a dual rational and emotional discourse, as shown with the example of entrepreneur Michael O’Leary in Alistair R. Anderson and Lorraine Warren, “The entrepreneur as hero and jester: Enacting the entrepreneurial discourse”, in *International Small Business Journal* (2011).

⁴⁰ See Tom Bower, *Branson* (London, HarperCollins, 2000, 2008) for a rather critical biography of the entrepreneur.

between a seller and a buyer exceeds rational economic considerations, as customers need to identify themselves with the brand and/or its representative. Yet, as Granovetter defended, the weight of reputation in economic actions should not be overestimated⁴¹ even regarding the transactions with customers. Indeed, whereas customers may be influenced by the good reputation of the brand for their very first choice of using the services, their next step of second use of these same services and maybe first use of other services from the same brand depends on the level of satisfaction they first experimented. In this case, the action of purchasing depending on the past experiment of the customer with the brand service echoes the action of dealing influenced by past dealings between economic partners.

Conclusion

The case of Branson's Virgin Group first illustrates Granovetter's contribution to economic sociology regarding the general conception of economic actions embedded in society. Over the last 45 years, Branson's economic action of company creation has been boosted by the British ever-evolving socio-economic context and global technological advances. The development of Virgin Group as a branded venture capital conglomerate can thus be explained by the conjunction of external factors.

On the other hand, the formation of Virgin Group is undeniably the result of his actions as an autonomous agent. Moreover, Branson has actively participated in the development of the British consumer and entrepreneurial society. The case of entrepreneur Branson is therefore an illustration of the explanation of economic actions within an on-going process of inter-influence of society on the economic actor and the economic actor on society construction.

Branson's case can also provide examples of Granovetter's view that social relations between actors should be taken into consideration when attempting to explain economic actions. Virgin would not have been born without the financial, logistic, designing and even creative help of family and friends. The inception of Virgin joint-ventures may also have been eased by Branson's social contacts with investors. And even though reputation must have mattered for first contact, social relations maintained trust from partners, just as good experiments ensure fidelity from customers.

This paper has therefore empirically supported Granovetter's idea that exclusively adopting one existing substantivist or formalist conception leads to a limitative explanation of economic actions and firms formation. Indeed, though it has focussed on the economic sociologist's contribution concerning embeddedness in society and social relations, it has tried to not entirely eliminate the other theories.

⁴¹ Mark Granovetter, *op. cit.*, 490.