WOULD YOU BET YOUR COMPANY ON YOUR PEOPLE?

WINNING THE WESTJET WAY

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You could call it an epiphany or a high-stakes gamble. Either way, it was a bold move that the leadership team at WestJet Airlines made to ensure their strategy would be embraced. In 2012, Canada's second largest airline decided it was time to get into the regional carrier business. Everyone at the top, from the CEO Gregg Saretsky to the founder Clive Beddoe to key members of the employee association, was confident that the new business would create the best opportunity for growth. But they also knew that the change would be jolting, and that employees would fear WestJet was abandoning its traditions and values by altering the business model so drastically. The Board worried about those repercussions, too, and advised that a strategic decision this consequential needed widespread employee support. How could WestJet get everyone on board? That's when it came to Saretsky — the epiphany, the high-stakes gamble.

WestJet would put the future of the company up to a vote.

He conferred with the others and everyone agreed. The decision to ask every single employee to give their yes or no was an approach that made sense, given the nature of the WestJet culture and its value of its employees, but the stakes were daunting. If the strategy was so right, wasn't the risk too high that WestJet would miss a critical opportunity if employees weren't in favor?

When the Board asked Saretsky what he would do if the idea backfired, he didn't need any time for a response.

"If we get a no vote, you need to find a new CEO. It's my job to convince everyone this is the right thing to do."

He believed in his gut that, worries aside, WestJetters would get it.

PEOPLE FIRST

Plenty of companies claim their employees make a difference in their overall success. Many of them even mean it. In the corporate world, there's growing understanding about the degree to which people and culture really matter. When Marissa Mayer left Google to take over Yahoo in 2012, for instance, she encountered a host of problems that a series of CEOs before her had failed to solve. The site was losing traffic. The business was bleeding money. The company was perceived negatively by employees, customers, and shareholders. But Mayer, unlike her predecessors, believed the biggest problem Yahoo faced was the steady talent drain. People came to Yahoo to gain experience or to leverage a promotion; then they left with their ideas and their energy for somewhere better. She came up with a simple refrain to capture her turnaround priorities and repeated it at every opportunity: "People, then products, then traffic, then revenue." People drive the capabilities needed to push the needle on all other measures.

But would Mayer or any CEO of a sizable company even dream of consulting employees when it came to a fundamental question about the strategic direction of the enterprise? How many organizations would have the nerve to put the credibility of the CEO, the Board, and the executive team on the line by risking open dissent? Only a last-ditch effort to save a company might make such a gamble worth it.

But there was nothing wrong at WestJet, a 17-year old airline based in Calgary, Alberta. The company had grown rapidly since its founding, amassing a fleet of 112 planes and over 9,500 employees, until it was the second largest airline in Canada. Its low cost approach had been modeled after Southwest Airlines. Now, it was more profitable and popular than its major rival, Air Canada. It competed on cost and personality and service and innovation, but everyone believed that the core of its operational success was the simplicity of its business model.

That simplicity would be in jeopardy with the launch of a regional carrier. Suddenly, there would be two WestJets, not one. Would compensation levels be the same way in both companies? No, they would not. Frugality had always been fundamental to WestJet's profit model, and salaries were pegged to the industry median, supplemented by profit sharing and share ownership. A regional carrier meant a lower median and a freeze in increases for years. Would the fleets be the same? No, they would not. WestJet best practices were baked into the Boeing 737 model. The regional fleet would be all Bombardier Dash 8 Q400s — turboprop planes built for smaller airports and shorter jumps. WestJetters, never known for their reluctance to challenge authority, demanded to know why anyone would want to mess with what had been working so well.

Those with doubts had reason to worry. Regional carriers had been tried in the US, and there had been some miserable failures. Delta's Comair had just been dissolved, for instance, that summer of 2012. For 35 years, it had suffered strikes, acrimony, periodic bankruptcies, and occasional accidents. But the leadership at WestJet, charged with looking five to ten years down the road, knew that the company had to continue to grow and evolve or it would regress.

A great deal was at stake, however, in overhauling the status quo. WestJet employees liked their jobs. The airline had a great brand and reputation. Its service and safety record was tops in the industry. Customer satisfaction was high. A regional carrier was sound business strategy, but did it make sense on less tangible levels? Would people be willing to make serious personal and financial sacrifices for the long-term interests of the company?

That's where the special and genuinely respectful relationship between those employees and WestJet came into play.

Saretsky knew that WestJetters would listen. He also suspected that many employees would be excited about launching a start-up. WestJet's early success had been built on the principle of serving the underserved. The new WestJet regional carrier would enter dozens of small communities across Canada with dramatically lower airfares. It would liberate customers from sky-high costs and create excitement for the opportunities of travel. In a way, it would be like stepping back in time, reliving the early days from WestJet's founding, when the scrappy carrier used all its charm and service that went above and beyond expectations to delight customers and grow the market for air travel.

But Saretsky understood that people would need to have their fingerprints all over the new plan in order to accept it. They would want to question the plan and probe it and push it in order to accept it as their own. That's why the idea to hold a vote was a stroke of inspiration.

The most important message he needed to convey, however, was that the business model was changing, not the WestJet culture and not the values. Those were sacred. If employees didn't believe that, they could vote no. WestJet would find another way to go forward.

It took weeks to reach everyone, through dozens of presentations and hundreds of conversations. On the day of the vote, anticipation was high. Technically, 50 percent plus one was enough for approval, but Saretsky was hoping for 75 percent for the leadership team to have a real mandate. They did better than that.

When the votes got tallied, 91 percent of WestJetters said yes.

WHY CULTURE MATTERS MOST

Why was it imperative that WestJet employees vote on the new strategic direction? Because the culture demanded it, and WestJet relies on that culture for its competitive edge. To ignore the culture — even once, out of expediency or because the stakes were particularly high — would undermine the credibility of the organization, inspire dissent among employees, reduce trust in leadership, and diminish the values and principles.

Leaders in almost every organization talk about the importance of culture. At WestJet, the culture seems more palpably alive than in other organizations. It has an energy that makes an unmistakable impression right away.

The first thing you notice at WestJet is how much fun everyone is having. They enjoy doing their jobs, they like to joke and kid. They love working with each other. They genuinely enjoy customers and want to make them happy. The next thing you notice is how serious WestJetters are about certain basic principles. WestJet is lean on rules, policies, and formality. It believes that getting things done right means relying on creativity, initiative, and the freedom to break rules when necessary. But there's a belief about how to do things — something called the WestJet way — that's more sacrosanct than any policy manual or employment contract. If you ignore the WestJet way or breach it, you'll be called out for doing so. It doesn't matter if you're a baggage handler or a pilot, a ticketing agent, or the CEO. Someone will let you know that's not how things are done.

A few other things you soon come to appreciate about the WestJet culture: You don't call WestJetters employees — you call them people. Customers are not customers, either — they're guests. There's a profound difference in how people treat guests, versus how employees treat customers, and that's a significant factor in the way WestJet does service. WestJetters are also big storytellers. They tell stories about everything, the way families do when they loosen up at Thanksgiving or the way friends do when they start talking about old times. Often the same stories get repeated but no one minds. The stories come up because they fit the moment, hit the mark, emphasize the point, and draw the laugh. If WestJetters were ever forced to write a policy manual, it would be a book filled with those stories, because that's how the culture and the values and the meaning of the company gets shared. Indeed, WestJet has a wall of stories at the head office, its own Hall of Fame enshrining outstanding achievements, touching moments, defining events, life-changing encounters.

Finally, WestJetters are owners. Technically, this means they profit share and can buy preferred stock, which they do. But it also means a lot more. It's the foundation of a very different level of engagement with the company and it gives WestJetters a level of equality with the executives that transforms the typical boss-employee relationship. There's a hierarchy, and a chain of command, but there's respect and a mutual sense of belonging. Everyone is part of the bigger thing. Everyone's contribution matters. Everyone matters.

When WestJet held its vote, its culture was at stake, and that culture can best be understood through the organization's founding story. The principles, values, and "way of doing things" at WestJet were inherent in the ideas about business and human nature that brought the company to life.

Of the six founders, the driving force behind the company, and the personality that shaped the culture most profoundly, was Clive Beddoe. Born in the UK, Beddoe moved to North America in the 1970s because the moribund economy of Britain discouraged individualism and achievement. He had always believed that human beings could accomplish much more than they believed if they were inspired, impassioned, and enabled, but it wasn't until WestJet that he had the opportunity to put those beliefs into practice at scale.

Settling in Calgary, Alberta, Beddoe became a venture capitalist, buying companies or taking large stakes in them, helping to improve those businesses through guidance and tough love, selling when gains had been realized. As an analyst, Beddoe was highly critical by nature, skeptical of complacency and business as usual, quick to see opportunities to improve performance by throwing away conventional thinking. Indeed, he saw convention, complacency, rules, and hierarchies as enemies of innovation, performance, achievement, and growth. They stifled individual initiative and creative thinking. More importantly, they did not support the passion that Beddoe believed people naturally wanted to feel about their work, the loyalty and pride they wanted to have in their organizations, and the enjoyment they wanted to take in working with colleagues and customers.

Beddoe never imagined that he would take these ideas and perspectives and apply them in an airline. That he did was almost purely by accident.

In 1994, the airline industry in Canada was still highly regulated. Air Canada, the tenth largest airline in the world, was founded by the federal government in the 1930s and became a crown corporation in 1977, before being privatized in 1988. A host of other airlines came and went but did not last in the small and tightly regulated marketplace. Wardair, with an upstart culture that evolved from its origins running bush planes into Canada's north, was one of the more successful, but its financial difficulties led it to be acquired by Canadian Airlines in 1989. Canadian was then acquired by Air Canada in 2001.

For air passengers in Canada, this lack of competition meant that service was meager and extremely expensive. Flying in Canada was often many times more costly than flying within the US or even internationally. The airlines argued that this was the price for maintaining costly service lines to Canada's sparsely populated and distant regions, and Canadians accepted this — perhaps culturally as much as rationally. They were used to government-mandated service and there was a widespread belief that American-style competition was neither possible in Canada's smaller market with its distant locations, nor desirable.

As an impatient outsider, skeptical of convention, and always looking for a market inefficiency to tap, the high prices and inconvenience of the Canadian airline sector was a galling irritation to Beddoe. It was also in stark contrast to his own personal love of flying — a feeling that combined his passion for precision, excitement, and freedom. Rather than submit to high prices and inconvenience, Beddoe decided to fly his own plane on his weekly business trips to Vancouver. The one-hour flight cost around $700 per seat for a two-way ticket, and with two or three other team members in tow that amounted to almost $3,000 a week. Here was a golden opportunity to offset those costs and gain the flying time to secure his commercial instrument rating.

He hired a commercially rated copilot to train him as they flew to Vancouver and back. The 400-mile flight took about an hour and a half. But the empty seats bothered his chief analyst, Mark Hill. Frugal by instinct, Hill complained that Beddoe was wasting money flying a nearly empty plane, and proposed that they sell tickets to passengers. Beddoe's group owned a number of office buildings in downtown Calgary filled with business tenants who were frequently fliers. Hill put up photocopied notices in the elevator lobbies of the various buildings, offering round-trip airfare to Vancouver, flying on a Tuesday morning and coming back on Thursday or Friday, all for $300. This was about half the commercial fare. Immediately, the seats filled up.

This development stoked Hill's curiosity and sense of opportunity. He ran some numbers, thought about them, and told Beddoe they should buy a bigger plane. Beddoe wasn't interested. He just wanted to fly. More months went by, and in the meantime, Hill had become hooked in a different way. As a bonus, Beddoe had bought him flying lessons that would lead to a pilot's license. The flying school, operating out of the same hangar where Beddoe kept his own plane, was run by a commercial pilot named Tim Morgan. On days when the weather was bad and Morgan was grounded, Hill would grill him for a better understanding of the industry. How much did airplanes cost? How much did it cost to fly a commercial airplane? How much did it cost per seat? He went to Beddoe again, this time less defiantly, more like a hopeful salesman trying a pitch, and suggested to Beddoe that they start an airline.

Beddoe told Hill he was out of his mind. But Hill had been thinking obsessively about how steeply the cost per seat to operate an airplane fell as the number of seats increased. The discrepancy between the revenue that could be made operating a plane with three or four seats versus one with twenty or forty or a hundred was huge. There was tremendous profit to be made by going big.

Beddoe still thought Hill's analysis was simplistic and that he was looking at the industry through rose-colored glasses. There were so many other factors involved. The costs, the difficulty of competing against established competitors, the reluctance of average Canadians to fly an unfamiliar airline. Every few weeks Hill would check back in and update Beddoe with his data. The numbers were interesting but they still weren't compelling. Then Hill told Beddoe about a company called Southwest Airlines, and Beddoe immediately understood something Hill didn't see.

In the deregulated US market only one start-up airline, Southwest, had managed to survive and thrive for any length of time. Led by the legendary Herb Kelleher — whose airline CEO persona Beddoe would model his own after — Southwest was the renegade airline, bucking convention, winning market share with personality, a crass disregard for business-as-usual, and a cheerful sense of fun with customers. It was a winning formula that translated into a powerful culture, a shrewd business model, a compelling brand, and an approach to customer service that drove loyalty, satisfaction, and word of mouth.

But it was the numbers that really moved Beddoe, particularly a phenomenon known as the "Southwest effect."

When Southwest first entered a market, it couldn't compete on brand, convenience, or any of the other features which the major airlines had locked down. Instead, Southwest competed primarily on price. If Southwest's fares were significantly lower than competitors' fares, customers would give Southwest a look. Southwest targeted that reduction in price at around 40%, and wherever and however Southwest operated, it cut market rates by at least that much.

Competing on price is a standard strategy for new companies fighting for share in an established market. But airlines are costly to operate, no matter how they are run and competition is extremely fierce. Loyalty programs, convenience, travel agents, and ease of connections, conspire to lock down customers. This is why the Southwest effect was so amazing. In each market Southwest entered, they drew a certain number of established customers from competitors. *But they also grew the market by an average of 140%*. In other words, the Southwest effect stimulated demand that hadn't previously existed. It meant that Southwest was not merely stealing a slice out of the pie that was there, it was growing an even larger pie and taking it all for itself.

For Beddoe, this was the lightning bolt that made it seem possible to viably enter the Canadian airline marketplace. He believed that Canadians wanted to fly more than they did, but that urge was curtailed by the high cost. He also knew that Air Canada and Canadian would respond by lowering their fares to drive that low-cost competitor out of business as soon as possible. But the Southwest effect would swing the advantage to that new competitor. A well-run start-up, one that was built around a low-cost business model, would still be making money on those reduced fares, while the established market leaders, burdened by a higher cost model, would be losing money. Meanwhile, as the market expanded, the low-cost carrier would continue to make money on new customers, while the established carriers bled losses.

Hill enlisted Tim Morgan, the commercial pilot at the flight school, for his inside understanding of the industry, and brought in an IT expert named Don Bell to consider the technology side of the business. Together, the four men built the business plan over the next nine months until it was solid, and Beddoe was convinced that a viable opportunity lay before them. The question was how could they move beyond the piece of paper and into reality? Financing was the next hurdle. They would need $7 to $8 million just to get the basics in place to exist — airline license approval, a telephone system, training, advertising. Then, they'd need an additional $20 million or so to actually buy some airplanes and have enough working capital to fly.

$28 million was a lot to raise for any venture, and Beddoe and his team had next to no credibility in the airline industry, so they enlisted David Neeleman in the cause. Neeleman was the cofounder and former CEO of Morris Air, a low-cost carrier recently bought by Southwest Airlines. Neeleman, who would go on to found JetBlue, didn't want to run WestJet — he had his own new business venture in mind, a ticketless travel idea called Open Sky — but he was more than willing to help Beddoe with investors and on the Board.

Standing before those investors, Beddoe was apologetic about the fact that he was not from the airline business. But the investors told him that they found his plan more interesting because he was *not* from the airline business. They were looking for fresh thinking and innovative approaches, and they were particularly impressed by the data supporting the Southwest effect. Market stimulation made the investment potential even more attractive.

Within a month, WestJet raised the $8 million needed to get the company started. Within a few more months, they had $20 million more. It had been Beddoe's plan to serve as Chairman of the Board and to step away from daily operations by hiring a president. Just before launch, that president quit the company. Beddoe stepped into the breach and WestJet launched on schedule on February 29, 1996. Starting a new venture on a Leap day was just another way to declare that WestJet was not ordinary, that it was special.

For its first month of operations, WestJet had budgeted to lose $600,000. They lost $400,000 instead. For the second month, the expectation was to lose $400,000 and they lost $200,000 instead. In the third month, they'd budgeted to lose $200,000, but they'd already broken even and they were making money by the fourth month. The Southwest effect took place. The market was stimulated and the demand for flights exploded. WestJet filled its planes. Canadian and Air Canada filled their planes. The only difference was that WestJet, with its low-cost model, was making money while their competitors were not.

HOW TO MAKE A CULTURE WORK

From the beginning, the employees were owners. This fit Beddoe's beliefs about what motivated people, and it was critical to the business model. If WestJet was to succeed, WestJetters would have to be engaged and committed in a way that typical employees never were. They would have to be self-starters who were accountable, responsible, and willing to take initiative to make sure that the work got done, that customer demands were met, that the business model was followed. You got such people by having a strong culture and hiring right. You reinforced those behaviors by giving people a sense of urgency over the future of the company and a financial stake in its success.

Beddoe spent a lot of personal time in those early days educating employees on the numbers. He wanted everyone to understand why they'd been hired, what was expected of them in terms of the culture and the performance of the business, and how that could pay off in terms of profit sharing and stock increases. WestJetters were offered the opportunity to buy stock in the company from day one. WestJet, in turn, would match those investments, dollar for dollar, up to 20% of the employee's salary. This made the link between cost and revenue abundantly clear. Employees knew it was in their best interest to do whatever was in their power to fill planes more consistently, to reduce costs, to make customers want to come back.

From the earliest days, it was apparent to those customers how much WestJetters liked their jobs. Beddoe constantly heard from customers about how happy, cheerful, and positive WestJet employees were. That sense of pride in company and satisfaction in work cannot be manufactured. It has to be authentic and it has to come from within or it could not possibly be delivered on demand. How could anyone ever anticipate the million different ways such an attitude could be called upon to respond to challenges, setbacks, customer problems, and the variables of every single day? If the attitude is not internal and true, no amount of training, instruction, or supervision could possibly prepare an employee for every situation. One story along this line that Beddoe loved was that of an elderly lady who asked a WestJet ticketing agent if she could leave her bag behind the counter because her arthritis made it too painful to carry around. The ticketing agent said of course, in her friendly, happy-to-be-of-help kind of way. The lady went off. When she returned after successfully parking her car, she confessed that she was not flying WestJet that day, but that the airline she was flying had refused to let her leave her bag. As she told the ticketing agent, "I'll never fly that airline again." Beddoe is confident the lady has told that story many times since to her friends and relatives, spreading more goodwill for WestJet. It also supports his theory that it would be incredibly difficult for a competitor to beat WestJet on customer service — how could they possibly match an attitude and an approach that's ingrained in the employee?

One of Beddoe's biggest concerns as the airline grew was whether people throughout the organization would continue to share his passion, intensity, and urgency. He hoped that the ownership culture and the profit-sharing strategy would keep those emotions kindled, and he gained solid evidence for that view on a flight he took from Calgary to Vancouver. As he was wont to do, he spent time before the flight with the pilot in the cockpit. While there, Beddoe noticed the fuel gauge and saw that the plane only had enough fuel to get to Vancouver, and would need to refuel to get back to Calgary. The problem was that fuel in Vancouver was much more expensive than fuel in Calgary. Despite the cost of carrying extra fuel, it was cheaper to top up the tanks in Calgary so that the plane could return without fueling up in Vancouver. Every week WestJet sent pilots fuel price data so that they would clearly see the costs of fuel decisions and understand how that impacted revenue, and, by extension, their own profit sharing. Discovering that the pilot had disregarded those messages infuriated Beddoe but he kept his thoughts to himself. There was a rule on airlines that you did not distract the pilot until 10,000 feet in altitude had been achieved.

By the time the airplane reached 10,000 feet, Beddoe had calmed enough to discuss the matter with the pilot inquisitively rather than angrily. He mentioned the fuel gauge and noted that the pilot hadn't tankered up in Calgary. Quite confidently, without any sign of sheepishness or remorse, the pilot confirmed that he hadn't fueled up. Beddoe asked why, and got an interesting answer.

The pilot had calculated that the temperature at altitude was so cold on this day that the fuel tanks would not warm up very much in the descent to Vancouver. The weather in Vancouver, on the other hand, was quite humid. When the cold fuel tanks met the warmer humidity on the ground in Vancouver, ice was sure to form on the tanks. This meant the plane would have to be de-iced in Vancouver before taking off again. The extra cost of de-icing was higher than the extra cost of filling up in Vancouver. According to the pilot's calculations, he was saving WestJet $230 by not carrying extra fuel into Vancouver.

Beddoe could only laugh. What pilot under salary in what airline had ever in the history of commercial aviation made such a calculation on his or her own initiative? Yet, it was a story that typified the motivation, creativity, and empowerment that Beddoe had so wanted to instill.

When Bob Cummings joined WestJet in 2005 as vice president of marketing, he got his most important lesson about the significance of culture his first day on the job. WestJet had just switched advertising agencies and that firm was working on a new brand platform for the airline. The plan was to bring it to market within five weeks. WestJet was moving into new territory in terms of the level of amenities it offered guests — new planes were going into service and those planes were more modern and sleek with TV consoles at every seat. The agency was top notch — an award-winning firm — and wanted to tap WestJet's sense of fun and humor. They came up with a campaign that discussed various Dos and Don'ts for travel on WestJet. One spot, for example, was about the seats. "Do enjoy our new leather seats," the voice-over said, "but Don't destroy them." And in the video, a man was ripping up a seat cushion.

Even to Cummings, new to the company, this campaign seemed out of sync with WestJet. When he showed the spots to the employees in an airline hangar he realized how right his instincts had been. The 800 employees watched over a number of days. Very few of them appreciated the commercials or laughed. Many reacted in dismay. A frequent comment Cummings heard was: "I don't want my parents or my family or friends to see this." Cummings, as a good soldier who was new to the job, kept trying to explain the rationale behind the campaign, the humor, the off-kilter message. One of the more forceful employees stood up, said the campaign simply wasn't going to happen while he was part of the company, and escorted Cummings to the head office for a visit with Clive Beddoe to explain what he and the other employees thought.

Cummings was surprised by this directness but also impressed. He wondered how Beddoe would react. Beddoe listened to the employee, nodded, and said, "You're right, we can't show these." Then, once the employee had left the office satisfied, Beddoe turned to Cummings and said, "We've still got a campaign to launch in five weeks, you'd better get busy."

Urgency was only part of the problem. Most of the budget had gone into the failed campaign. The new campaign would have to be seriously cheap and cheerful.

The spot that the agency developed looked like a clunky commercial from the 1950s. Its impact, however, was powerful. An airplane flew through the air. In voice-over, WestJet employees talked about what made the airline meaningful, how much respect they had for guests, how much they cared about safety and a great flying experience, how much fun they had doing jobs they loved for guests they enjoyed helping and getting to know. The mood was wholesome, sincere, respectful. But it was the tagline, astonishing in its clarity, that really touched people's hearts, and it has been WestJetter's brand slogan ever since:

"Why do WestJetters care so much? Because we're owners."

When Cummings had more time and space, he was able to codify the WestJet way by boiling the culture and values down to five key principles:

1. **Compete using culture and people**

   In order to maximize the power of culture, people must be aligned to the interests of the company. To do this, WestJet has developed generous profit-sharing and share purchase programs with employees. This is the basis for the "Owners Care" campaign, one of the most successful communication platforms in Canadian business history.

2. **Listen to guests and people**

   WestJet over-communicates with employees about changes and improvements in order to secure buy-in, understanding, and full engagement. It carries that same level of communication to customers, explaining why a change is being made, listening to feedback respectfully, and following up appropriately. This is the key to having a culture of successful continual improvement.

3. **Design products through the eyes of your people not your guests**

   WestJet develops products that employees would value, appreciate, and want because it believes employees understand the WestJet brand better than customers. Those employees must believe in and be proud of what they are selling.

4. **Foster a culture of celebration, kudos, appreciation, and fun**

   WestJetters believe that fun and meaning is part of the job. In that spirit, WestJet celebrates its successes, heartwarming moments, and key events. Stories are shared at all occasions. At the end of the year, monthly kudos are narrowed to a single winner — and an employee is celebrated and given a paid vacation.

5. **Using resources on what matters**

   WestJet runs a frugal operation with a tight budget. It has never veered from its low-cost business model because that approach provides it with the margins necessary to compete successfully on cost and culture over time. But it does not fail to put its resources where they will have the most benefit. Its profit-sharing and share ownership programs exemplify that, as do its efforts to always keep or add jobs even during tough times. "Time" is another precious resource that WestJet does not skimp on. Despite the cost of time, managers and top leaders spend far more face time than peers at other companies in direct communication with employees. Intense engagement is critical in a people-first culture.

Those five secrets define a culture that has been the basis of WestJet's competitive advantage and has enabled the airline to overcome any number of challenges over the years. In any business, the unexpected happens. Projects or strategies do not unfold as planned. There are innumerable variables at play at any moment. How an organization, its leadership, and its people respond to obstacles, surprises, and uncertainty is critical.

As an example, one of the most difficult moments in WestJet's brief but intense history occurred during its changeover to a new reservation system. In order to participate in co-chair relationships to accommodate passengers from other airlines, WestJet needed to change systems. The decision to adopt a new system was strategically sound, and has paid off many times over the ensuing years. The experience of the changeover, however, was a blow to the customer-service brand of WestJet and extraordinarily painful for those involved on the front lines and behind the scenes. They were people who truly cared about the service they were providing and suddenly they were failing.

The changeover took place on October 17, 2009. The leadership team at WestJet knew the transition was in serious trouble by the next afternoon. Customers waited hours on the phone to speak to a WestJet representative. If those customers finally got through, they encountered an incredibly complex and frustrating array of problems making simple reservations and travel plans. Many gave up on the phones and drove to the airport to make arrangements directly. Tempers were heated. WestJet employees did not know how to work the system and solve their customers' problems. Top executives and board members were inundated by calls from customers who could not understand how a smooth service organization had degraded so dramatically overnight. WestJet did not understand either.

It was clear in hindsight that training had been inadequate, the learning curve was steeper than anticipated, and the agents were ill-equipped to handle the new transaction process. It was also obvious that those in charge of the implementation would have had more in-depth insight into what was at stake and how the changeover could have been managed more effectively if they'd had direct airline experience. The changeover should have been eased into, with more slack in the schedule, and employees should have been prepared to expect a rocky transition that was definitely not business as usual.

But it was the response to the crisis that exemplified WestJet's brand. Rather than focus on internal blame, everyone got on board trying to solve the problems at hand. These problems ranged from the big picture — how are we going to get this system working right — to the immediate and personal — how are we going to get this father home from his business trip or this family to their grandmother's house? Executives — as they do whenever extremely bad weather or other service interruptions occur — dispersed to the front lines. They worked in call centers or behind ticketing counters, tackling every crisis and concern head on. They did not hide from the problems or shirk from the responsibility. They cared too much about making things right for every customer who had put their trust and faith in WestJet.

It took another three painful months for WestJet to find its rhythm. No one would want to go through such an experience again. But surviving such a crisis through the strength of culture and people was more evidence, and another great story, that WestJet is special.

THE BIRTH OF A REGIONAL AIRLINE

Ferio Pugliese entered WestJet on the people side of the business with no previous experience in the airline industry. In Clive Beddoe's view, this was never a problem; it was the right path to a solution. More critical was that Pugliese shared Beddoe's belief that "people" was the answer to most questions.

Pugliese spent his first few years at WestJet as executive vice president of people and culture, building up the people department. How do you ensure that you are crafting people programs and practices that help sustain and enhance the culture while supporting the organization's strategic direction? At the same time he knew that he also needed to preserve the entrepreneurial side of the company, to not stifle ingenuity, ownership, and accountability through procedures. To straddle that line, he instituted an "interest-based" employee relations strategy. The basis of the approach was in place at WestJet before Pugliese arrived, but it did not have any structural support. The premise was that no major business decisions that impacted employees should be made without having WestJet's people intimately involved. Their fingerprints needed to be all over business decisions to collaboratively move forward with full and mutual commitment. Pugliese started these efforts with the pilots who were due for contract renegotiations. While that process could be incredibly contentious in most airlines, the contract WestJet developed secured salary raises for pilots but left WestJet with flexibility. The approach has become standard in the Canadian airline market.

In 2011, Pugliese began his biggest challenge when WestJet leadership determined that launching a regional carrier would be critical for the organization's future. It's rare in any organization for a nonoperations executive to get the top position, but at WestJet, success with people was critical. Accordingly, Pugliese would be the regional carrier's first President.

The airline industry had a checkered past when it came to launching regional carrier subsidiaries. Most of those failures happened because the creation of a second smaller entity divided the workforce, which in turn reduced operational efficiency and diminished the customer experience. How could WestJet avoid doing that? WestJet needed to involve WestJetters as much as possible, getting their "fingerprints" all over the plans, and move forward in a collaborative way.

The WestJet executives brought in a select group of representatives from the employee association, including Antonio Faiola, who sat on the Board. WestJet leadership showed the employee group everything they had in mind: the business case, the profit versus loss ratios, the competitive landscape, and the projected growth of the airline. By the end of those discussions, there was nothing the employee representatives didn't know. Then, Pugliese, Saretsky, and the executive team said, "How are we going to engineer this together? Let's build a plan as partners to make this work." Success hinged on the premise of developing two companies that shared one culture. Was that even possible? How would the people processes look? Would there be one or two employee associations? How should pilots in each airline be handled?

After six months of talks a plan had taken shape. Everyone involved knew the risk of failure remained high, and that employee engagement had to be deeper on this decision than it had ever been before. The company-wide vote would help. In an intense couple of weeks, the executives brought the plan to every office in the country, holding almost 40 town-hall style meetings to explain it, field questions, and bring back feedback. The worries were about the divide and how that would affect the business model and the way customers and employees would be treated. Pugliese and the others also noticed an energy and a spirit developing out of these discussions. For most WestJetters, the founding of the company fifteen years ago belonged to a kind of golden age of legend and myth. Few had been there in person, though the stories had been told many times over. They understood the can-do attitude of those pioneers — feelings that were in the DNA of the culture — but they'd never experienced it firsthand, and there was something a little safe and satisfied about being a WestJetter at the top of the game. The WestJet regional airline was a chance to relive that golden era and bring air service to regions of the country that lacked it. Improving people's lives was something WestJetters prided themselves on. They'd fundamentally transformed travel in Canada. They'd made it cheaper, more accessible, and they'd grown the market. Wouldn't it be something to do that again?

The vote passed with 91% in favor. It would be hard to imagine any question or issue in any company or segment of society gaining anything close to such universal support. WestJetters got on board because they had been brought on board. But they also liked the taste they had developed for strategic decision making. One of the first questions that came up, following the vote, was whether WestJetters were going to get to vote on everything now. The name of the new airline for instance. Saretsky shot that idea down, laughing, "You can't run an airline by voting on every decision!" Only the key ones mattered. Instead, the name was selected through a contest involving 1000 WestJetters. Among those suggestions, Encore was chosen as the best fit.

Encore, of course, means "again." It was as if WestJet was going back to the beginning and launching itself one more time. WestJet Encore was going to be the second coming of WestJet.

The announcement that WestJet was going forward with the launch of Encore, a regional airline, created great excitement across underserved markets in Canada. Pugliese emphasized that excitement to his new employees. "You stand for enriching lives by liberating more Canadians from the high costs of air travel," he told them. Served by single carriers, much of the country was held hostage to whatever fee those airlines wanted to charge. Access to the bigger air travel centers for business, for pleasure, or for experiencing the world made a difference in people's lives.

Encore looked for partners among the communities it might potentially serve. It wanted to be investors in those communities for the long haul. So Encore put out a call to over 100 Canadian communities, and invited representatives of a select group of 35 to Calgary to engage in a little "speed dating." Each group had an opportunity to explain who they were and how Encore would be helping their community in its goals. Encore then narrowed down the initial launch to three communities including Brandon, Manitoba.

Brandon, a 130-year-old city situated in a river valley at the junction of two rail lines and the TransCanada highway, is one of the last stopping points between the East and the Canadian prairies. The city has a population of 52,000 and draws from a thriving agricultural and oil and gas region with a total population around 180,000. It's a progressive city, demographically young, and very socially active and technically savvy. And it felt hemmed in by the lack of access to the wider world and the economic and cultural opportunities that access represented. Though two and a half hours from Winnipeg and its international airport, most people opted for Minot, North Dakota, two hours away, because travel from the US was cheaper. The roads to Minot were not particularly safe, however, during the winter and sudden storms could leave people stranded and in danger.

Brandon had been lobbying for more air service for years unsuccessfully. When Encore put out its call for invitations to serve regional communities, Brandon was ready. The mayor, Shari Decter Hirst, was unreservedly enthusiastic. Her team built Brandon's business case arguments — the strategic location, the population of the region, the thriving oil and gas businesses, the growth potential of the city, and the strong desire of the people of Brandon to have access to larger Canadian and North American cities and to WestJet vacations. Brandon also knew that cultural alignment was key for WestJet, so it launched a friendly, humorous social media campaign. Whenever WestJet planes were forced to land in Brandon because of bad weather, Mayor Decter Hirst made sure someone always went out to the plane with coffee and donuts to build good will.

When Encore chose Brandon as one of its inaugural flagship partners, the announcement went out at 1:30 p.m. Within two hours, the Mayor's office had received inquiries from local businesses wanting to work with Encore. The Mayor also made sure that promoting WestJet was a Brandon job. On the city home page, Encore is prominently displayed and there's a direct link to making reservations on the Encore site.

Currently about 16% of the population in Brandon and nearby communities travel by plane in a year. Encore projects that the number will rise to 30% within a year. This will drive business, foster tourism, and stimulate growth. It's a formula for an instant love affair between Encore and its guests.

THE OBJECT IS TO AVOID REGRESSION

Clive Beddoe likes to tell the story of an airline's demise. He says the industry has a predictable lifecycle. It's relatively easy to access capital for a new venture. A new airline has the benefit of a new brand, new routes, young employees, young leadership. Over time, all of that matures. Employees move up the pay scale. Leadership gets stale but hangs on. The aircraft fleet gets older and maintenance costs go up. All of a sudden, what started as a low-cost business becomes a high-cost legacy operation, vulnerable to the entry of new low-cost carriers that will ultimate force its bankruptcy. Worse, in the progression toward that ultimate end, the culture goes wrong, employees lose trust in their leadership, customers are disenfranchised, and service and quality plummets.

Regression is a danger that all organizations face, whether they realize it or not. After the intoxicating early years in an organization's life cycle, regression begins. Strategies grow stale. Brands become compromised. Leaders lose focus and energy. People grow older and cost more to employ. Processes go out of date. In *Onward: How Starbucks Fought for Its Life Without Losing Its Soul*, founder and CEO Howard Schultz, describes the amazing degree to which his global company regressed in a few short years. The company lost track of its values and principles around quality and service, and in 2008, when the recession hit hard, Starbucks found that it paid an extremely high price for its failure to stay true to what had made it successful from the beginning. Customers began to abandon the brand. Wall Street lost interest in the stock. Competitors threatened to take away hard-fought market share. The answer, as management guru Jim Collins has put it, was to "confront the brutal facts" and recognize where Starbucks had gone wrong, then rectify it. Working to that end, Schultz turned the company around, and it is now as successful as ever. Compare that to Dell, HP, Boeing, Goldman Sachs, or any number of companies that have lost energy in recent years. The great, vibrant companies like Amazon, Target, or McDonald's strive to never become complacent.

What made you great in the beginning goes away if you take your attention off of that. The only answer to sustainable competitiveness is culture — and the people who keep the flame of that culture burning bright because they feel like owners, take pride in what they do and care so much about the future of their company.