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BY ANTHONY A. DAVIS | PHOTOGRAPHY BY JOHN GAUCHER

THE SKY'S THE LIMIT

What do WestJet employees learn from working there? How to tell good jokes, manage stock options and, *oh yeah*, how to start their own successful businesses



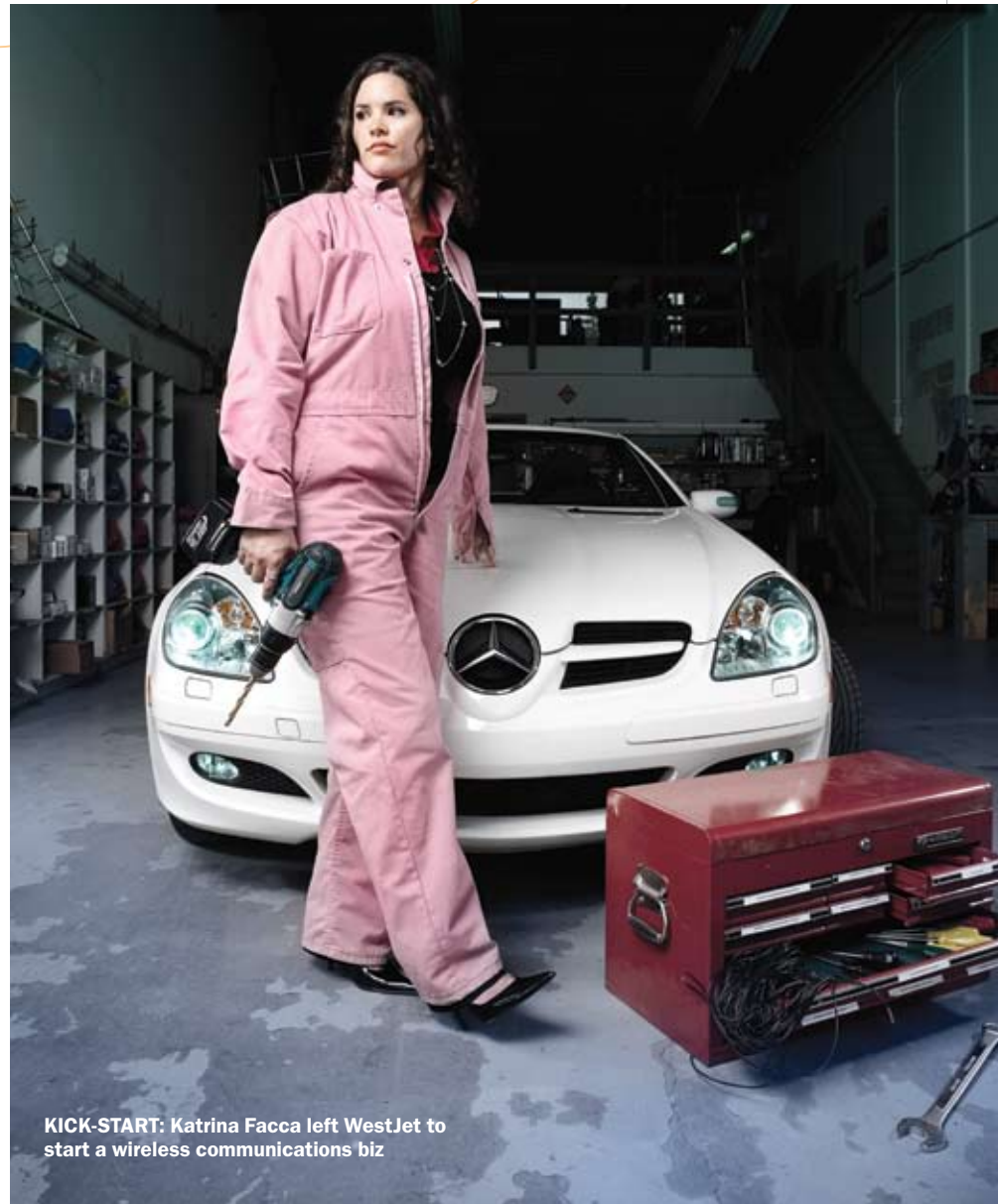
AT IT AGAIN: (l-r) Alan Mann, WestJet founder Tim Morgan, Gareth Davies, Dean McKenzie, Bill Lamberton and Darcy Morgan at the Nav Air & Tours hangar – a new business at the ready

Some companies have it; some don't. Call it an entrepreneurial fizz, a can-do attitude that bubbles up through a workforce, infecting a company's employees and spurring them to fire up their own business ventures.

Microsoft and Google, which both created numerous millionaire employees through stock option offers, famously spawned legions of people who have gone on to launch their own startups. You never hear anyone talk about Wal-Mart that way.

Here in Canada, one company that exudes entrepreneurial spirit like the contrails from a 737 jet is - who else? - WestJet. That's a boast few observers would make about WestJet's bitter rival, Air Canada. So what gives? Why does one company crank out entrepreneurs inside its workforce the way another cranks out geriatric greeters?

It would be too easy, and wrong, to boil it all down to cash. The engineers, software developers and even office administrators who first joined Microsoft and Google in their wobbly startup years took on the big risk of working for stock options and lower salaries in lieu of the much higher industry standard salaries they might have earned at established companies. In a sense, those employees were already exhibiting a nascent entrepreneurial spirit just by doing so. And that was something an upstart Microsoft and Google were looking for. But, as fate would have it, those Microsoft and Google



KICK-START: Katrina Facca left WestJet to start a wireless communications biz

boys and girls did very well, thank you. It is said that since Microsoft was founded in 1975, its stock option plan has created more than 10,000 millionaires among its employee ranks. That's by far the biggest crop of millionaires that any company has ever produced.

Google breeds entrepreneurs at the same alarming rate. It does so in part by allowing its 19,000 employees to spend 20% of their time (one day a week) developing their own projects. If Google likes an employee's project and hopes to acquire it for itself one

day, the company will further fund his or her entrepreneurial work.

If WestJet's first squad of pilots were into nose art the way Second World War fighter pilots were, many of them could honestly sport a big green "\$" (or a million of them) on the front of their Boeing 737s to mark the unusual killing they made in aviation. The first 15 pilots who gave up their steady-paying but limited flying careers at other airlines like Canadian Regional to climb into WestJet's cockpits were handsomely rewarded by the airline's vaunted and largely un-

expected success. Sure those pilots took a slight pay cut compared to what they were making at their former jobs, but the equity the four WestJet founders offered to accept the barnstorming financial risks of coming aboard soon soared in value, making them all millionaires.

But it's not just pilots who have joined

"WestJet gave me a great start in life after university. I gained value in investments, learned about stocks, business etiquette and, most importantly, about one of the best customer service models out there."

the WestJet millionaire set; flight attendants, mechanics, IT guys and even office administrators have all reaped the rewards of stock options, share purchase plans and profit sharing. Employees who benefited were mainly ones who joined the company soon after it was created in 1995 and those hired not long after WestJet's IPO in 1999. (It's harder to become a WestJet millionaire in the days since.)

All employees, including executive officers, are encouraged to contribute a part of their salary, to a maximum of 20%, to the employee stock purchase plan. For each dollar contributed, WestJet contributes a dollar, and the funds are used to buy common shares on the open market or from WestJet's treasury each calendar month. About 82% of WestJet employees participate in the plan.

As a company, WestJet has always emphasized the entrepreneurial spirit that gave the company wings. In its latest advertising campaign, it repeatedly reinforces the notion that its employees are much more than that: they are vested company owners. It's more than just talk, say WestJetters who, inspired by the entrepreneurial bravado of founders Tim Morgan, Don Bell, Clive Beddoe and Mark Hill, have launched their own companies - some of them while remaining in the employ of an airline they can't bear to leave.

The founders had been racking up entrepreneurial notches long before WestJet. Beddoe for instance, who became the airline's president and CEO and now serves as chairman, was, through his company Hanover Group, a successful property developer. Ned Bell owned a string of computer companies in Western Canada. Tim Morgan has a hard time just counting up the companies he owns. Of course, every company is started by

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one or more entrepreneurs. But something about the open-door policy in WestJet's executive suite had a trickle-down effect on many of its employees.

At a hangar east of Airdrie, Dwayne Raessler is showing off his new bird. Fit, looking younger than his 43 years and recently tanned from watching his nine-year-old daughter play in a weekend provincial finals baseball tournament, Raessler is proudly patting the sleek, teardrop cabin of his spanking new, silvery-grey R44 Raven II helicopter. One of WestJet's first pilots, Raessler, still a working captain with the airline, is on the verge of launching his own business venture, Vertical Leasing. Starting with one helicopter – a machine he's just now learning to fly – Raessler plans to lease the small, efficient, four-seater chopper to government agencies, oil companies, news agencies, police and other organizations for such tasks as pipeline surveys, forest fire spotting and pilot training.

He's clearly pumped at the prospect of launching his own venture, a business he doesn't think he would have started if WestJet hadn't kicked up his entrepreneurial spirit a notch. Not that it was entirely absent to begin with. WestJet, like Google and Microsoft, has a knack, through a carefully honed interview process, for hiring people that don't need to be led by the noses.

Raessler, who grew up on a farm near Delia, Alta., had the flying bug at an early age, and, to save for the lessons he knew he would one day need, he started a small painting and sandblasting company while in high school. Prophetically, he called it Air Bourne Enterprises, and, digging out his old business card which his parents recently found in their basement, Raessler points out the fact it was illustrated with an airliner. Even then, he had

a pretty good idea where he was going career-wise.

Eventually, Raessler, who got his pilot's licence in 1985, worked his way up to airline pilot. He had been with Canadian Regional airlines just over seven years when Tim Morgan, who had been a fellow pilot at Canadian, told him about the nascent airline he and

Employees like Raessler felt they were entrepreneurs because they owned a piece of the company.

three other Calgarians were founding. Would Raessler want to quit his job at Canadian and join them as one of WestJet's first pilots?

Raessler started thinking. He knew that because of seniority regulations at Canadian Regional, it would be difficult, regardless of his work ethic, ambition and skills, to progress much further. WestJet seemed to be offering something different. A company where ambition and independence were an integral part of the skill set the company was looking for in new hires.

"What attracted me to WestJet was they had a really good idea," says Raessler. "I thought, well, I can sit in a Regional airplane and watch WestJet planes take off from the runway and think about what could have been with them. I wondered, if [WestJet] failed, where could I go next for a job?" But soon after two interviews, Raessler was convinced of the brilliance of WestJet's business plan, and, just as importantly, caught the founders' entrepreneurial bug like a bad cold, even though at that point, he hadn't caught a whiff of the unusual pay structure WestJet was contemplating that would make all employees WestJet owners.

Raessler's first interview was with Tim Morgan, a pilot and successful entrepreneur

in his own right long before he was integral to co-founding WestJet. Morgan, a straightforward, no-bull ex-farm boy and flyboy, never sought the limelight at WestJet while there. The media flashbulbs and camera lights always seemed to focus on CEO Clive Beddoe, who was quite happy to bask in it. But Morgan was integral to West-

Jet's creation, and, as vice-president of flight operations, vital to the smooth launch of the airline. He left WestJet in 2006 in a bitter dispute over the direction Beddoe was taking the airline – away from its rootsy past with plans to expand its international routes – making it too much of a clone of Air Canada for Morgan's tastes.

Raessler recalls sitting down in Morgan's office at Morgan Air, an aircraft leasing and maintenance company Morgan still owns, for his first WestJet interview. He said it was an interview like none he'd ever had before. "Tim was completely upfront about WestJet," including the big risks of starting a new airline in Canada or anywhere for that matter. Ninety-seven per cent of all new airlines fail, not a figure to sneeze at. (The risks are even more evident today: In the past six months alone, more than 25 airlines have collapsed worldwide as high fuel prices have stumped airline travel.) Raessler, startled by Morgan's candour, says his second interview, with Clive Beddoe, was equally odd. "I realized a short time into that one that they weren't interviewing me; they had me interviewing them. I was shocked. They asked me, 'What did I want to know? What were my thoughts about the business, the job?' I

realized then they had something there."

But it wasn't until later that Raessler was offered a pay package that, pinned to the potential success of the airline, could eventually make him and those early pilots wealthy. "It wasn't until I was hired on that I knew what I'd get. The plan hadn't been thrown together at that point. But then I realized how lucrative it could be compared to Air Canada."

That plan provided early WestJetters, including pilots, mechanics, flight attendants, office personnel and marketing people various chunks of equity. For pilots, recalls Raessler, it was about 7,000 so-called "performance" shares each year for the first three years especially created for them. (No longer offered, the last of the performance shares were converted to common shares in 2000.) Those shares were worth about \$2 each, this before WestJet went public in 1999 and began offering employees regular shares of stock. By the time of the IPO, Raessler's shares, which could be converted into regular stock, were worth about \$6. That stock is \$14 today after three splits.

There used to be a saying at Hong Kong-based Cathay Pacific Airways, says Tim Morgan. "If a pilot works for us [at Cathay] for 10 years, we'll write him a cheque for a million dollars. Well, [WestJet] did the same thing, only in a shorter period of time." Cathay actually did write pilots cheques for a million dollars if they stuck with the company for 10 years. That was pure cash.

WestJet went the equity and profit-sharing route, and that pay package, says Raessler, "made me feel like an entrepreneur again. I owned a piece of this company. But there was something more than stock purchase plans and profit sharing – another component of the WestJet pay structure – that made Raessler feel like an owner. The founders really relied

on the pilot group for ideas about how to make the airline run smoothly, keep customers happy and keep the pilots happy, he says. Unlike his stints with previous airlines, he felt he had a say in WestJet's operations.

"I remember once I was preparing for a flight and I noticed that some of the little chocolates we'd been giving away on board had been smooshed into the seats. I told the company I didn't want anybody to get on board until the plane was cleaned up." And that's how it was. Raessler doubts he would have been listened to at any other airline. "We are a low-cost airline, but we're not a low-class one."

It should come as no surprise that, after leaving WestJet, Tim Morgan is at it again.

He's starting a new airline, thus far operating under the temporary name New Air & Tours. New Air's offices in an inconspicuous hangar near Calgary International Airport have the air of an upstart. Many of the cubicles are yet to be occupied. It's pretty much barren of office decor and looks quickly thrown together at this point, no doubt a similar state to WestJet's first office space. Morgan, confident in the lessons WestJet taught them, has joined forces with, so far, eight ex-WestJetters out of 10 people working at the new venture. That includes Bill Lamberton, who created WestJet's early and provocative marketing campaign. He'll play a similar role at New Air.

The day he spoke to *Alberta Venture*, Morgan, usually a jeans and casual shirt kind of guy, was more nattily attired in a sports jacket and slacks but hadn't succumbed to wearing a tie – even though he was off to see some bigwigs at CIBC World Markets. He was trying to wrap up efforts to round up financing for New Air, which Morgan says

Canadians can expect to launch in late fall 2008.

Morgan, in his 50s, a pickup-driving multimillionaire who loves to ski near his vacation home in Montana or zip around mountainsides on his snowmobiles, never had to work again after the stunning success of WestJet. He could have put his feet up and lounged in the sun anywhere he wanted. And with 14 companies already operating under his wings, including a property development partnership that is building Arrow Lake Resort in B.C. and an oil company called Blackdog Resources, he already had plenty of businesses to occupy his mind. So why plunge again into one of the riskiest ventures an entrepreneur can take on? The number of failed airline carcasses in Canada is gruesome: Roots, Jetsgo, Jazz, Greyhound.

It's not money, at least not anymore, says Morgan, whose first gig as an entrepreneur came after graduating from aviation college in Calgary in the late '70s. That was during one of Alberta's bust cycles, and few jobs were to be had. "Since the world was not going to give me a job, I had to create one," he recalls. He found an airplane to rent, some students and became a flight instructor. "Put those together – student, airplane, me – I get paid," he laughs.

It was a nameless freelance business that eventually evolved into Morgan Air Services, which developed into Air Partners, which developed into Morgan Air Maintenance and Air Holdings and "yada yada," shrugs Morgan.

"Many of my companies don't make money. They aren't profitable. It's not that at all. It's the excitement of doing it. I get a charge out of watching other people be successful at it too." If even a smidgen of Morgan's passion for starting businesses trickled through West-

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Jet's workforce, it's no wonder the company seems to spawn a disproportionate number of entrepreneurs.

Not long before this interview in July, Morgan related that he had detached a retina, possibly while chopping wood at his Montana home. After surgery – his one eye artificially filled with inert gas to improve healing – doctors forbid him to fly because a change in altitude could cause his eye to bulge dangerously. He wasn't even allowed to drive to Montana; climbing through the passes could blow his eyeball. So, for one of the few times in his life, Morgan was forced to stay at his home in Calgary and take a bit of time off work. "That drove me nuts," he grumbled. "So I painted the garage. I did this, I did that."

At Google, writes *Fortune* magazine's Adam Lashinsky, the departure of a host of bright lights who have gone on to create their own startups has caused a company conundrum. On the one hand, Google, by sparking that entrepreneurial feeling, benefits from Googlers' (as Google employees are known) ideas and high drive. On the other hand, it's often those people with the highest drive that wind up splitting for their own pastures, such as Paul Buchheit. One of Google's first engineers, Buchheit founded, with three ex-Google colleagues, FriendFeed, a social networking website. A former Google product manager started an instant messaging company called Mogad.

"Because you surround yourself with like-minded people, and the energy is synergistic, you're off to the races."

Did that collateral effect ever concern WestJet's founders? "That was never a concern of mine," Morgan says. "Because I always think, I can't tie people down. I'd much prefer to have people happy and do a good job and work themselves up to the point where they have got to move on."

Essentially, that's what happened to Katrina Facca, who, fresh out of university and harbouring the travel bug, joined WestJet as a 20-year-old in 1999. But after six-and-a-half years with the airline, Facca was finding that she had reached a point where she was running out of challenges. "WestJet gave me a great start in life after university. I gained value in investments, learned about stocks, business etiquette and, most importantly, about one of the best customer service models out there," she said via e-mail. "I learned the value, if a company takes care of their people, their people will take care of their guests, and their guests will take care of the shareholders."

Taking what she learned from WestJet and helped by the financial resources afforded her from the company's stock purchase and

profit-sharing plan, Facca, four months before leaving the airline, started Energy Wireless Solutions Inc. in August 2005. The company, with four employees and growing, is a dealership for Telus cellphones and accessories and for Icom two-way radios, the same kind WestJet aircrafts use to communicate with air traffic control. Facca's company also installs many of its products and provides custom wireless communications solutions for, among others, the oil and gas, hospitality and construction industries.

"I think my team and clients would have to agree that I run my company, Energy Wireless Solutions, with a similar culture [to WestJet's] on a smaller scale."

Perhaps sticking even closer to the WestJet culture in their new venture is Mike Ritchie and Sean Jones. Like Dwayne Raessler, Ritchie was among the first group of pilots to join WestJet. He still flies with the company some 12 days a month – average for a full-time pilot under Canadian regulations. Jones was one of the three guys handling WestJet's IT side at startup. Today, that department has more than 180 employees, and Jones, still full-time, is senior developer and team lead. But their employment at WestJet didn't stop the two from opening Flight Deck International Bar and Grill this past April.

Propelled by an aviation theme, the jumbo-sized Flight Deck, located on Harvest Hills Boulevard in Calgary's northeast, is one of

the city's largest stand-alone restaurant/bars. It hosts live bands several nights a week and boasts more than 100 plasma screens and an international collection of 101 beers and 101 wines, in addition to such aviation-named menu items as Northrop Nachos, Low Flying Chicken, Flying Tiger Shrimp and Stealth Fighter onions. The restaurant lies directly under the flight path of Calgary International's runway 28, and, as they sit on the restaurant's wraparound deck recalling how it all got started, Ritchie, 52, can see WestJet planes roar by so closely, he can probably discern who's at the controls.

The person flying those WestJet planes overhead could be one of the two dozen pilots who invested with Ritchie and Jones as silent partners to finance the \$4-million-plus project. (Three of the investors are pilots, active in the business. The remaining investors, about another two dozen of them, are friends and neighbours of Jones and Ritchie.)

One of the things Ritchie loves about being a pilot is dining in restaurants around the world. But he was frustrated that there were

few decent restaurants near the airport in Calgary or close to his home in Country Hills. That got him thinking, back in 2000, about opening up a restaurant one day. Working at WestJet made him believe he could.

WestJet's "can-do attitude" permeates the workforce, says Ritchie, and quickly got under his skin. It's no different for Jones, 39. "The first thing is that WestJet tends to draw a lot of high energy people. High energy, positive outlooks and a lot of good ideas. And that's one of the key factors that has helped WestJet be so successful since inception. And from there, once people get into WestJet, and you get WestJet in your blood, you start to think that, holy cow, I'm working with a phenomenal set of people. If they can do it, I can too. I've got this great idea, so I'm going to go out there and start doing something. Because you surround yourself with like-minded people, and the energy is synergistic, you're off to the races."

That attitude helped Ritchie, president and CEO of Flight Deck, and Jones, its director of IT and the man with the plasma screen obsession, beat off some of the naysayers – a few of whom were even WestJetters. Says Ritchie: "We went in knowing the success rate in general for restaurants is not as bad as airlines, but it's pretty close." But new airlines have a whopping 97% failure rate. So, adds Jones, "every time someone said, 'Holy crap, Sean, I can't believe you guys are doing that. It's really risky,' I said, look where you're working! You're at an airline and look how it's done."

Both men say had they been Air Canada employees, they doubt they would have had the nerve to start Flight Deck.

"Nope, never," says Ritchie.

"Highly unlikely. That's a resolute no," follows Jones.

Ritchie elaborates: "Even though the scheduling there would give us similar time off and a similar amount of compensation, not counting the stocks, the atmosphere at Air Canada is not conducive to inspiring self-belief."

Morgan himself wonders if WestJet will continue to be the kind of company that inspires employees to spread their entrepreneurial wings. "One of the things I saw in [WestJet's] last quarterly report was they have gotten rid of all the entrepreneurs and put professional managers in." Morgan agrees that entrepreneurial types don't always make the best ongoing managers, but to make a statement that sounds as if WestJet cleaned house "sucks," says Morgan. "That kind of statement to me is just backwards. You think they'd want more entrepreneurial spirit in there." Without that creative energy flowing through the ranks, Morgan fears WestJet will stagnate. "You have to have an entrepreneurial spirit to move things, to take a different view of things." **AV**

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