

Conducting business ethically and responsibly: westjet essay sample

[Transportation](#), [Airlines](#)



Westjet came into the air travel business in 1996, offering fares up to 50% cheaper than their competition. They strived for an excellent relationship between the employee and the employer by creating an ecstatic, friendly work environment. Westjet is one of the most successful airlines as it did start out with the most start up capital any airline has ever experienced, as well as keeping their debt to a minimum. With such commercial success, Westjet was questioned with their actions towards Air Canada as one of the founders employed a travel agent to find out certain information about Air Canada which gave them a competitive advantage so they knew exactly what price would be a noticeable difference, which would attract more customers towards Westjet. In this paper we will talk about Westjet's history, the travel/airline industry, services Westjet offers, their recent financial and stock information, employee strategy, any unethical practices Westjet might have taken part in, and their ethical performance. We chose to give Westjet an ethical rating of " B" due to the fact that they have given a lot back to communities, however; they have taken part in some shady practices over the years. WEST JET'S HISTORY

Clive Beddoe came to Western Canada from England as the president of Hanover Group where he made a fortune on developing commercial real-estate . In 1994 he went on to purchase Western Concord Manufacturing Ltd., which brought him into the flying business. It was here where Beddoe realized how expensive air travel was, as the company's executive air travel bills cost them approximately \$ 3, 000 a week (Jarvis, 2006). Due to these extremely high costs, Beddoe made the business decision to purchase his own twin engine Cessna 421 and flew it himself which resulted in the

company saving thousands on fuel costs and pilot fees. When the jet was not in use, he leased it to other companies via the local charter operation Morgan Air Services Co. Ltd. During this business venture Mr. Beddoe met the president of Morgan Air Services Co. Ltd., Tim Morgan and investors Don Bell and Mark Hill (Jarvis, 2006). Together they came up with an idea to create a discount airline which eventually became West Jet. Mr. Hill wrote the original business plan, later becoming the director of strategic planning, while Morgan and Bell were named vice-presidents in charge of operations and customer service, and Mr. Beddoe was the chairman and chief executive officer because he was the one who came up with the original idea.

The new company was named West Jet Airlines Ltd. in May 1995, as it accumulated 8.5 million dollars in capital with the help of David Greene who successfully ran a Salt Lake City based airline which he sold to Southwest Airlines in 1993 (Jarvis, 2006). David Greene agreed to provide 5% of the start up capital himself, and attracted investors such as Ronald Greene from Renaissance Energy Ltd. With the help of Research Capital Corp., West Jet had \$20 million in stock with other private investors by January, 1996 (Jarvis, 2006). This made West Jet one of the most heavily capitalized airline start-up companies in decades. However; no scheduled airline had successfully competed against the market leaders, Air Canada and Canadian Airlines. West Jet had 2 major issues to overcome. First they had to deal with the fluctuations in fuel prices, which is the highest cost of an airline company. Second, Western Canada lacked large population centres therefore people questioned if there was room for them in the market place (Jarvis, 2006).

West Jet continued to penetrate the market because their plan was to expand the market by lowering fares to a point where a new class of travellers could fly. Mr. Beddoe called it the “ Visiting Friends and Relatives model” as it would compete with cars and buses as well as planes.

Stock purchase and profit sharing plans helped provide motivation, and the company used a casual and upbeat working environment. They believed it was necessary for good customer service. West Jet relied on energetic, motivated employees to perform fast turnarounds, even executives were told to help clean up the cabins between flights (Jarvis, 2006). West Jet managed to keep their debt to a minimum, even though they purchased its own well-used jets rather than lease new ones. Commercial flight operations began with three planes on February 29, 1996. Vancouver, Kelowna, Calgary, Edmonton, and Winnipeg were the first cities served and many more cities were added within the first year of operation (Jarvis, 2006). West Jet’s fares were often more than 50 percent less than its competition. However; services such as digital tickets, in-flight meals, frequent flier program, airport lounges, different flying classes, computer reservation systems used by travel agents were not offered. This business plan worked very well as consumers were primarily price driven and it resulted in a profit of 2.5 million in the first six months of operation.

Not all was well in 1996, Canadian transport officials found West Jet’s maintenance record-keeping program inadequate and forced them to suspend operations. The suspension lasted 17 days, costing them \$300, 000 a day and stranding many passengers (Jarvis, 2006). However West Jet

recovered quickly, in its first fiscal year they produced a profit of \$36.7 million in revenues and they carried over 760,000 passengers. West Jet began operating charters in October 1997. Their first client was a major tour operator which resulted in the airline flying to Las Vegas regularly on a chartered basis. The company also began carrying cargo in the fall of 1997, and in the beginning of 1998 West Jet explored a possible marketing agreement with Air Canada. West Jet's fleet grew to 11 planes by the middle of 1999. By this time, they paid out \$3 million in profit sharing disbursements and about 86% of their employees owned stock in the company (Jarvis, 2006). WestJet went public on the Toronto Stock Exchange in July 1999. Its IPO was such a success that the company's market capital was soon valued at \$375 million, which is five times greater than that of Canadian Airlines (Jarvis, 2006).

The fact that West Jet was able to generate a profit in such a troubled industry made the stock extremely attractive. Proceeds from the IPO were put towards buying new planes and building a new hangar and headquarters. By 2000, West Jet had 1,100 employees, executives are trying not to expand too quickly because it did not want to weaken the relationship between the employee and the customer. However, Air Canada bought Canadian Airlines and were taking up the market share in Eastern Canada. This forced West Jet to accelerate their plans regarding expansion. In March 2000, WestJet opened a hub in Hamilton, three dozen miles from Toronto. Several eastern markets, including Ottawa, were added within a couple of months. Fares were as little as one-sixth those charged by Air Canada (Jarvis, 2006). West

Jet continued to grow and they now fly to various islands and parts of the states and is currently still growing. TRAVEL/AIRLINE INDUSTRY

The airline industry in Canada is one of the toughest industries to succeed in at this current time. Due to the fact of extreme fluctuations in fuel prices and the recession that happened in 2008-2009 which bankrupt many smaller air lines. Jet fuel doubled in price from 2007 and 2008 and it resulted in customers paying extra fees and taxes (CBC, 2010). Security has been a serious problem since 9/11 and in order to heighten security airline companies must induce more charges on the consumer. Unlike other industries, competition is not the biggest issue for a company, the price of fuel is (CBC, 2010). If the price of fuel continues to rise at the rate it is currently going, more and more air lines will go bankrupt. WEST JET SERVICES

West Jet has come a long way from when they first started out, regarding its services. When they first came out their business plan revolved around cheap local flights and no other services were offered. As the years went on West Jet continued to expand, and by doing so they had to offer various services. West Jet is no longer just an airline, it is a travel agency where they offer packages of flights/hotels/cars. They allow you to choose your seat in advance, request certain rooms for your hotel, they offer food and drinks on the flight, and they have satellite television in the head rests of their planes (WestJet, 2011). They also offer something called the hurricane promise which states that if there is a hurricane warning, customers are entitled to a flexible exchange or refund. West Jet has tweaked their business model

because times have changed since they first started. It is not possible to offer flights as cheap as they once were capable of doing due to the price of jet fuel. Therefore prices are going to rise so West Jet must provide additional services if they are increasing their prices to stay afloat. RECENT STOCK AND FINANCIAL INFORMATION

<http://www.theglobeandmail.com/globe-investor/markets/stocks/financials/?q=wja-T> The figure above is an income statement for West Jet from 2007-2010. By showing their totals annually from year to year, one can grasp the general trend West Jet is going. West Jet has increased its sales every year and its retained earnings have increased sufficiently. This is a good sign that West Jet has adapted to the new market place and is continuing to succeed amongst its competition and their increase in sales and retained earnings is an excellent way to measure their success.

<http://www.theglobeandmail.com/globe-investor/markets/stocks/financials/?q=wja-T&page=balanceSheet&frequency=QUARTERLY#financials-content>

The figure above is a balance sheet of West Jet annually from 2007-2010. As you can see West Jet's total assets is increasing positively on a steady basis from 2007-2010. This is a primary indication that West Jet is continuing to expand their services to a wider variety of people. Another indication of expansion is that their common stock has increased tremendously meaning more investors are having confidence in this company.

<http://www.theglobeandmail.com/globe-investor/markets/stocks/financials/?page=cashFlow&q=wja-T&frequency=ANNUAL#financials-content>

The figure above is a cash flow statement, annually from the years 2007-2010. This highlights West Jets success by simply showing how much cash West Jet has at the end of each year. As you can see they continue to increase as the years go on so that can only be a positive thing.

As of November 11, 2011 West Jet was trading at \$12.23 it did drop \$0.10 from what it opened at however; analysts are saying that this is a stock that you should buy. Things that may entice people to invest in this stock is how well the company is doing. Simply by looking at these financial statements one can see a positive trend on how well the company is doing and how well it continues to grow and adapt to the new market place. If the company continues to do well the stock should continue to rise, which results in many happy investors.

WESTJET'S EMPLOYEE STRATEGY

Westjet is a company that strives to provide great customer satisfaction but they realize that in order for them to do so they have to treat their employees better than their customers. Westjet's main goal is to provide an excellent work environment for their employees and they do this by being friendly, helpful and courteous towards one and other. " Westjet treats its employees as its No. 1 priority" (Dempster, 2004) because they believe that if their employees are satisfied with their surroundings they tend to work

diligently and effectively at their task at hand, employees become more creative which helps the company create a good output.

When the airline began its regular service in the United States they had to ensure that the individual in charge of the site had great management skills but most importantly they had to be sure that he or she was glad to represent WestJet and was ecstatic about the work environment. It is very important for the company to have an individual that shares the same goals and principles because if they “ don’t have the right person in charge, that whole station could go down the tubes in terms of customer service and reputation” (Dempster, 2004). WestJet is widely known for their excellent service and in order to maintain that they tend to find people that represent everything they believe in. To ensure that the employees have the same goals as the company, they are sent for a three week training program in Calgary where executive members of the company as well as the CEO educate them about the company culture and what is expected from them.

WestJet also practices a peer selection program which plays a vital role in their employee’s contentment. The peer selection program allows certain employees such as pilots to review potential applicants and reject them even if they have all the technical qualification. They aren’t just looking for applicants to meet the required qualifications they are also looking for characteristics in an individual that would be beneficial for the team. This process allows WestJet’s employees to have a “ sense of shared ownership, important for a company that constantly encourages its staff to think like owners” (Dempster, 2004). The company offers a very lucrative share plan

which allows their employees to own up to 20% of their gross salary and in doing so Westjet matches their input with the same amount. Westjet claims that their employees are the key to their success so it's only fair that they share the profits with them.

The company recently began using a service called Spigit which is a “ social application designed for the development of crowdsourcing ideas throughout corporate organizations. The airlines aim in doing so, being to improve product development and to help cut company costs” (Bicette-Joseph, 2011). This application allows employees to express their ideas by engaging them in creative ways and it also lets other workers view each other's ideas and rank their importance. This application allowed Westjet to save \$10 million over a three year period and all of which was done by allowing employees to express themselves. These practices that are conducted by Westjet towards their employees allow them to excel in the jobs they are conducting; this is the core reason as to why they are one of the top companies with excellent customer service. WESTJET'S UNETHICAL PRACTICES

In the past decades Westjet has come across major public criticism from the media because of their unethical practices towards Air Canada. Air Canada is Westjet's biggest competition because it is a renowned Canadian airline as well as the most lucrative airline in Canada. Ever since Westjet was founded in 1996 it has viewed Air Canada as a threat to their organization and in order to be successful and remain relevant in the industry they began finding ways to be better than Air Canada. Some of the methods that Westjet used

were by prying into Air Canada's private information in order to improve their service and remain ahead of their competition.

Mark Hill who was the Vice-president of strategic planning at WestJet would spend a lot of his time visiting libraries and examining information from Statistics Canada about the airline industry, he had also employed a travel agent to gain access on Air Canada's fees for advance bookings and other flight information. Hill continued researching and acquiring information on the industry in order to "formulate a clear picture of its competitive landscape and make strategic decisions which most often worked, resulting in WestJet becoming an upstart success and attracting more air travellers" (Blekenhorn, 2007). In 1999, Hill attended a meeting based on potential business agreement between Air Canada and WestJet. Upon noticing that there was no agreements within both parties they decided to go on a break, However, Hill decided to return to the meeting room and began viewing Air Canada's documents which contained data on "average fares in markets, route profitability, and other sensitive information" (Blekenhorn, 2007). After viewing these documents Hill would use them to his advantage by charging lower fees and offering services that weren't available by other airlines in order to gain a bigger customer base.

Hill's tactics had been working as planned since WestJet had become very profitable and was one of the top Canadian airlines in the industry. Hill continued acquiring information unethically as well as illegally and in 2003, WestJet would be able to acquire a lot more private information on Air Canada than they had in the past. WestJet employed an individual named

Jeffery Lafond who had worked for Air Canada and as a part of his resigning package he received free flights per year for five years as well as access to an internal website designed for employees in order for him to schedule flights. Jeffery Lafond was pressured by Hill and other seniors to use the website to gain confidential information, the site contained information on “load factor, data for flights up to 352 days in advance, broken down by individual flights, giving rough estimates of Air Canada’s anticipated load factors” (Blekenhorn, 2007). With the data obtained regarding Air Canada’s load factor, West jet was able to determine the company’s prosperity through flights and also analyze which flights were popular and lucrative. However, Air Canada found out about WestJet’s unethical practices through an anonymous phone call and they filed a lawsuit against them. As soon as the media was aware about the situation they began criticizing WestJet for their immoral ways which caused the company to take a significant loss and was viewed for a long time as being dishonest and corrupt. WESTJET’S

ETHICAL PERFORMANCE

Due to the major criticism from the public and media for spying on Air Canada’s confidential information, WestJet’s reputation for being a well-respected company was destroyed and they also faced tremendous loss financially. People began boycotting the company for being unethical and refused to fly with them due to their practices and even loyal customers of WestJet began choosing other airlines for their services. Consumers also refused to use the service because they were paranoid that if they continued to fly with WestJet there might be a possibility of their personal information

being exposed or pried by the company's employees. In order to eliminate the public's negative scrutiny which was causing the company huge financial losses they decided to use several tactics to improve their reputation.

WestJet began by releasing a statement to the media claiming that. " This practice was undertaken with the knowledge and direction of the highest management levels of WestJet and was not halted until discovered by Air Canada. This conduct was both unethical and unacceptable and WestJet accepts full responsibility for such misconduct" (Ratner, 2006). Hill also apologized to Air Canada for his behaviour and resigned claimed that WestJet is an honest company and to ensure the public that this type of behaviour will never occur in the future he decided to resign from his position as Vice-President of strategic planning.

In 2006, in an act of showing social responsibility, WestJet decided to pay Air Canada a sum of \$5.5 million for their legal costs and also donated \$10 million to children's charities in behalf of both firms. WestJet continued donating to different firms such as CNIB, Hope Air and in most recent years they helped Haiti when the earthquake hit the country by " 100, 000 donation to the Canadian Red Cross to assist with immediate needs, we donated a flight to World Vision Canada and delivered \$200, 000 worth of vital medical care"(WestJet). By donating such enormous amounts of money WestJet showed the public and media that they are a generous and compassionate company. " WestJetters have also demonstrated a passionate response by donating over \$90, 000 (to date) from their own pockets and generating ideas on how WestJet could help"(WestJet). These donations from

the employees of WestJet helped the company gain a positive outlook and steered it away from the issues that had occurred in the past.

The media began noticing the deeds that were done by the company and started supporting them, this allowed them to gain a lot more clientele than the ones they had in the past. Although it took a while for WestJet to gain the trust back from the public they were successful in doing so and they once again became one of Canada's top airlines. The initiatives WestJet took were worth their while because it helped them steer away from the negativity and were viewed as a positive organization to the company which in turn increased their profits. The diagram below shows WestJet's tremendous growth from 2006 which is when they began taking initiatives in order to improve their ethical performance.

(n. d.). Retrieved from

<http://www.westjet.com/guest/en/media-investors/westjet-annual-report-2010.shtml> WESTJET'S ETHICAL RATING

WestJet has is company that tends to make their decisions as consequentialists, they tend to use both the Utilitarian view and the egoist view while operating their business. They used the utilitarian and egoist views when they decided to obtain confidential information on Air Canada. Their act produced the greatest amount of good over bad towards themselves in order to grow as a company and provide customers with better prices and services. The individuals that were content with this decision was not only the company but also its employees who were gaining

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through their profits and the customers who were paying a much less price and were receiving better service than the one offered by Air Canada.

They also incorporated egoism which incorporated self-interest, Westjet was pleased that they were becoming more profitable and didn't bother about Air Canada facing losses as long as there was a greater ratio of good to evil from their decision. Westjet also incorporated Keith Davis' five proposition of social responsibility by being responsible and donating millions of dollars to correct their wrong doings. Westjet faced the consequences and decided to give a huge amount not only to Air Canada but also to the community to show social responsibility. The ethical rating Westjet deserves is a " B" because although it had its unethical practices with Air Canada their good acts out does the bad ones. They not only act generously towards the society with their donations but they also practice the golden rule when engaging with their employees.