

From Founder to CEO

Podcast

Host: Todd Uterstaedt

Guest: Andrew Schmertz, Co-Founder and CEO of Hopscotch Air

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0:00: NARRATOR: Coming up on today's show:

0:03: ANDREW: I would say the Founder is sort of the creative artist and maybe the CEO is somebody who is doing the programming, the data entry, the programming and guiding the company. And some people can do both very well and some people can't.

0:20: NARRATOR: Welcome to the show that helps you make the successful journey from founder to CEO. Hear from dynamic, inspiring and successful founders as they share their insightful stories and practical tips that make becoming the CEO more fun, stress free and easier to build the company and life of your dreams. Now, please welcome your host, Todd Uterstaedt.

0:44: TODD: Welcome back to the show friends and founders around the world! Many of you out there in start-up land have created some pretty amazing businesses. But when was the last time you heard that someone founded and Airline? Sure Richard Branson may come to mind, but what about someone who started *just* an airline from nothing? Well I'm excited to introduce you to my friend Andrew Schmertz. Andrew shares some really important lessons about growing an airline and transitioning for the founder to the CEO role. I especially appreciated his story about when he knew he was creating a great culture at his company Hopscotch Air. Well before we get started with the interview, you'll find some great resources to help you grow, build, scale and lead your company on our website www.fromfoundertoceo.com/grow.

1:48: TODD: In the studio with us today is Andrew Schmertz. Andrew co-founded Hopscotch Air in 2007 and has been leading the way as the company's CEO ever since. Hopscotch Air is the largest small plane or taxi operator in the northeast and it's tied for the largest Cirrus operator in the United States. With thirteen people on his team and growing, the company just opened up two new markets in Boston and San Diego and it has achieved regulatory flexibility with the FAA. Andrew, welcome to the program.

2:22: ANDREW: Todd, it's an honor to be with you, thank you so much.

2:25: TODD: Yeah, we've know each other for a while, haven't we?

2:27: ANDREW: We have and to be speaking to fellow Hofstra grad.

2:30: TODD: Absolutely!

2:31: ANDREW: And using our radio experience.

2:33: TODD: Yes, you know we were both on WRHU years and years ago weren't we?

2:37: ANDREW: We were that's right.

2:39: TODD: Well, it's great to have you on the program. So let's get started big. What's Hopscotch Air's powerful promise of value?

2:45: ANDREW: The basic promise of value is we're returning sanity to air travel. We are providing people with an efficient, time saving ability to travel and complete with commercial airline service and get you to airports and locations that are much closer to what normal airlines can do. So we're able to provide a private aviation experience that's utilitarian in nature. There are no flight attendants, we're not wining and dining you. It's get on the plane and you go to where you need to go. And we're able to do it at prices substantially lower than what would be traditional charter, a word we never, never say because "charter" has a connotation of being pricy and expensive and for the one-percenters.

And we are successfully delivering on that. It's a paradigm changing model in that when people think they have to fly somewhere the first place they go obviously is to Expedia or Travelocity or Priceline and look for airlines. So we're trying to breakthrough on that and say there is not only another alternative, there's simply a better way to do it and in price points that a good number of people can utilize. I like to say, and you can't see me say it, but sort of my elevator pitch is that this small percentage of people have been on a private plane and a large number of people have been on a commercial airline. And somewhere in the middle there are people who can use our service effectively. And so the value proposition really does come down to time, convenience and avoiding major headaches of commercial air travel, which of course has become very challenging.

4:15: TODD: Absolutely. Well I know you save a lot of people a lot of time. And so, Hopscotch Air is headquartered in, where?

4:20: ANDREW: We are headquartered in Long Island. And Long Island is the hub of aviation. I know you're in Ohio so, you know, Dayton is obviously where the Wright brothers were and invented the airplane and may have flown first time in north Carolina, but if you look at the history of Long Island, you know, it's where the lunar landing for the moon was invented, it's where Grumman was based, it's where Charles Lindbergh took off and it's where that pilot and philosopher Jimmy Buffet spends most of his time.

[Laughter]

And so, we're proud to be Long Islanders. We're proud to serve a community that needs a service like this because it is an island that is difficult to drive along and it has such a rich aviation history.

5:04: TODD: Yeah, Long Island is a great place to start a company. I'm glad you're there. So, you know Andrew, founder and CEOs tell me all time that they really love learning about other founder's start up stories. So, walk us through, if you will, kind of the starting story of you and Hopscotch Air.

5:18: ANDREW: So, as you know I was in the media business.

5:20: TODD: Right.

5:21: ANDREW: I was doing at the time, about 2005, 2006 I had transitioned out of journalism and was working for a corporate video company and doing a lot of flying to, obviously, clients. But I was also a pilot. And so I would also sometimes fly myself in the same type of aircraft that hopscotch air currently uses to these various locations. And I said, "By golly, if we can get more people in a plane like this and fly to Hyannis and fly to Providence Town and fly to the places where they can't normally get to through a commercial airline, this service might really work out. And at that same time there was sort of this percolating bubble known as the air taxi concept. And so you may have heard of companies called Eclipse Aviation that was a very light jet maker that eventually went out of business I believe in Albuquerque.

And there was a company called A Jet and Pogo was going to launch with Robert Crandall, who is the former CEO of American Airlines. And so a group of my cousin and a couple of friends who I knew in the aviation industry got together and said "Can we do this business?" So while a lot of people were out there starting digital media companies and various e-commerce sights we decided to, I decided to go from what I would say is the challenging media business to the challenging aviation business and we launched it from the ground up. I mean, this is a heavily regulated business and we started, a lot of people go into the aviation business by buying another aviation company. We certified it from the ground up; a fifteen month, very long process which I think we're better off for. And then of course we went into business when the financial world collapsed.

7:01: TODD: Wow.

7:02: ANDREW: And that was 2007 and we were certified in January. We went into business, we got certified and my cousin said to me "Well, I guess it's time to go out of business."

[Laughter]

On the first day of business because we did have a whole lot of cash in the bank and the financial system had collapsed. Unemployment was growing, the people who would use our service would probably no longer be interested in using the service and we had a meeting. And we sat around and we said "Well, we've come this far. We've burned through all the cash, it's not like we can hand any back. Let's boot strap this, let's get it going and let's see if we can ride out the storm." Which only improved the challenges, only made us better as stewards of the company, I think, because we didn't have a lot of money to throw, you know, wild launch parties, which some companies get into trouble doing. And I think largely because of that we were able to navigate our way through by figuring out how to run an incredibly expensive, high capitalization business as thinly capitalized and as efficiently as we can. And we made a lot of mistakes along the way. I like to say, you know, we just celebrated our sixth anniversary.

8:14: TODD: Congrats!

8:16: ANDREW: Thank you. I like to say we've really only been in business about two or three years because it's really the last two or three years that we sort of the moment figured it out. We hung in there! As long as you stay in the game you have a chance to win it.

8:28: TODD: Well let's talk about that. Describe for our listeners your first win. When you as the co-founder said to yourself or others "Okay, this is going to work, we've got proof of concept, basically there's a product and market fit, we just need to scale this idea," what was it for you?

8:43: ANDREW: That's a good question. I think the turning point was, well, there's a few. One, when the media started paying attention so when the aviation press starts to validate what you're doing you start to believe it a little bit. But I will tell you the first turning point was when a customer said to me "I never knew a service like this existed." And this was about in April of 2009 after we went into business. And I was like "Okay, great!" And then what I found was customers who had never flown privately got on the airplane because there was some concern that the airplane was too small; people weren't going to get on it.

And then the turning point finally came, I would say when we launched a marketing partnership with Swiss International Airlines. Swiss is actually a Long Island based company because they're a part of Lufthansa and Lufthansa's headquarters are in East Meadow, right down the road from Hofstra. And when they came to us and said you have something here. So I think it is several different validation points that said that we can really do

this. And while it was late in the game, we had a fifth anniversary party last year and the number of people and customers who showed up sort of validates what we're doing and says that this could work.

9:57: TODD: That's terrific. Did you ever have any doubts?

9:59: ANDREW: Well you have doubts every day. And because nothing is easy and there is an obstacle every day to cross and it's either an unhappy customer, you know we're in the airline business, so I tell our most frequent customers, there's going to be a day we screw you. I'm telling you this now. We're going to screw you because of weather, equipment malfunctions, of some reason because there are things out of your control. So there's weather challenges, there's government challenges, there's pilot challenges, employee challenges that CEOs have every day and this is one of the few industries where the government is really your partner. How many businesses do you know that you need government approval to hire somebody? You were in the military, probably the military is an example, but we need actual government approval to hire individuals. So there is an obstacle every day and there are doubts every day and if you don't have doubts then you're not doing your job because you don't have much visibility of what's in front of you.

11:00: TODD: Sure.

11:01: ANDREW: And, you know, you need to surround yourself with people who constantly reinforce that we can get through this, but there's always doubts. It's a business that struggles and there are probably easier ways to make money.

11:15: TODD: Well speaking of making money, what types of financing approaches did you use to help build Hopscotch?

11:20: ANDREW: Well, we used only shareholder money. The money was capitalized from the first four initial investors; there were a few investors who have come in since. The company is relatively debt free, some use of some lines of credit and the planes are all leased so there is no financing actually. The company has virtually no debt.

11:43: TODD: Wow. What a great thing to be able to say about your successful company.

11:48: ANDREW: Yeah, and part of that, by the way, is not because we didn't try.

[Laughter]

Because, if you recall, the banks were very, very difficult to lending money for the longest time. And it's also a high risk business and so it's hard to borrow money. So the company has been financed by shareholders, by the original investments. We closed a new round of funding in June and we're sort of in the Angel investing round and some shareholder loans that go into the company. Other than that the company survives, it breaks even and survives on cash flow.

12:24: TODD: That's great. Well at this point in your journey, what's one significant difference that you've noticed about being the co-founder versus becoming the CEO?

12:33: ANDREW: It's a great question and it's something that every founder of a company has to grapple with. The founder of a company has to be an evangelist for the business, has to be a cheerleader for it, has to rally customers, to rally your staff, to rally your shareholder base and has to have, sort of, you know, in the aviation world we use visibility; has to have a long term vision and be, to some extent a visionary. And that's what founders' role play. The transition to CEO is operational and detailed focused and you can't always be looking

way down the field to make that seventy yard pass. You need to be able to run the running plays and that I think is one of the biggest challenges for founders.

What makes a great founder doesn't always make a great CEO. A great CEO sometimes needs a great Chief Operating Officer; I think the best example may be Bill Gates and Steve Ballmer, or Steve Jobs and Tim Cook. Somebody who really understands the operation and can execute the details of what the founder's vision is. I would say the founder is sort of the creative artist and maybe the CEO is somebody who is doing the programming, the data entry, the programming and guiding the company. And some people can do both very well and some people can't.

13:59: TODD: Well you seem to be able to make that transition from co-founder to CEO and I know you've mentioned before and I know you've had a successful career as a broadcast journalist and a producer before Hopscotch Air. What have you learned as a broadcast journalist and a producer that has helped you become a successful co-founder and CEO of Hopscotch Air?

14:19: ANDREW: How to ask the right questions.

14:22: TODD: Ah, yes.

14:23: ANDREW: Because you as a founder should be asking more questions than answering them. And I continue to do this. What are we doing right? What are we doing wrong? Conversations with the government, how do we approach this? And as a journalist you learn to ask the right questions, you learn to analyze the BS from the truth and you learn then to sort of put that into a package that you can communicate. And I think one of my strongest skills within Hopscotch is the ability to communicate to the group, customers, to our regulators. Something that is not easy to do and that is something that I think you learn as a journalist. And frankly as an attorney too, you learn to ask the right questions and to analyze the problems.

15:17: TODD: I'm so glad you bring that up because I spend a lot of time with founder and CEOs helping them understand just the importance of asking the right questions so I'm really delighted to hear how you've been able to take that skill from broadcast journalism and as an attorney to your role. So, when we come back from the break, Andrew, you're going to share with us your biggest blind spot for building a business when we come back from the break.

[Break]

15:47: TODD: Building as scaling is tough work. As a founder and CEO you get pulled into many directions. Shifting into a focused CEO role can be a challenge for any founder who previously wore many hats just to get the company off the ground. Now one of your primary responsibilities is to grow and scale your business. Unfortunately we all have business building blind spots. What's your blind spot? Go to www.fromfoundertoceo.com/blindspot and find out what your biggest business building blind spot is today.

16:30: TODD: Okay so we're back from the break. Andrew, you know, a lot of super successful founder and CEOs have told me that self-awareness is key to becoming an effective CEO. With that in mind, since we all have blind spots and founder and CEO blind spots can have a pretty big impact on our businesses, what's one of your personal blind spots and how do you make sure it doesn't negatively impact Hopscotch Air?

16:53: ANDREW: Self-awareness is a great phrase because, how do you really know how you're going to be perceived and what you're doing? My biggest blind spot, no questions about it, I think has been the collection and analyzing of data. And in aviation I have learned over the past 18 months really, especially because Hopscotch has grown exponentially in the last two years. So it went from a very manageable two airplane, three airplane

operation to now an eight airplane operation and that's a pretty big jump in this business. And my biggest blind spot was, well I don't think the data is, I think we can weave sort of feeling our way through it. And we partnered with a great company in Boston who is sort of mentoring us, a slightly larger jet charter operator and they are Harvard Business School people. And I think at HBS they teach you a lot about data analysis.

17:55: TODD: Right.

17:55: ANDREW: And that is a big blind spot. So turning that around, my blind spot has always been sort of, well let's keep our eyes on what the vision is and we'll just kind of get us there and the company is so compelling and we think we have such a great product that we'll be successful just through sheer will. And of course you've probably heard, how many times have we heard companies with great products fail all the time.

18:22: TODD: Right.

18:23: ANDREW: And that's just not my strong point. My strong point is not really understanding data and analyzing it and that is why we have made changes to bring people in who can do that for us and it has helped us greatly. So I think for any founder, the blind spot is sort of balancing your visionary thinking and your evangelism and your ongoing optimism because if you're not optimistic you're not going to get there. There's a phrase "the cockpit is no place for optimism," but in business you have to be optimistic and you have to balance that against the reality of the numbers they tell you and you have to be willing to pivot. And pivoting is not wrong, by the way. Any founder needs to recognize that maybe something isn't working and if you can recognize that and make that change, well that makes you a better steward of the company to admit, not necessarily that you're wrong, but that the evidence on the ground tells you, you should change up the game plan a little bit.

19:21: TODD: Well that's pretty good that you're aware of your blind spots and you've taken action on trying to uncover them and I know one of your big strengths is building your team at Hopscotch. Many founder and CEOs say that building and sustaining a winner team is just crucial. So what's one specific team development action that you've taken as CEO that has just really worked well for you and the company?

19:46: ANDREW: Culture is an essential element of any company and until you've run a company for a couple years I think a lot of people think, talking about culture, that's kind of like gobbledygook business book nonsense and I completely disagree at this point. Culture is essential. It is very difficult in our business because we don't show up to an office every day. This is an airline. You're on your own as a pilot, as an employee and the vast majority of the full and part time staff are pilots because that's where we have to spend the money. So they don't see each other.

So the few things that we've done to improve that are we have regular meetings, we try to get people together in conference calls; we set up an online site where people could share information about what they learn and what they don't learn. Because what I discovered early on is if one of our pilots and he calls me up and he says "this is what happened," or "the customer liked this," or "the customer didn't like this," often that's where the information stopped. And that's not good. We need to disseminate the information to everybody in the company. I'll tell you one story of where I realized the culture of the company finally clicked in.

20:59: TODD: Yeah.

20:59: ANDREW: It was a busy summer day a few years ago, a busy summer day and we had several planes flying and we had a flat tire with one of the airplanes. So in this business where everything works great on paper, it's going to be a homerun kind of a day and we have one hiccup, the day goes down the drain. Before I was able to respond I had heard from not only the pilot on the ground, but another pilot who was at a different airport not far away who said "this is what we're going to do," and they formulated a plane between them and a third pilot

without even necessarily talking directly to the chief pilot yet, on how they were going to get the customer to where they wanted to go, how they were going to work with maintenance and how they were going to get all the pieces together to keep the day on schedule.

What that said to me that day, showed me that the job that the pilots were fulfilling went from just a job, I'm here to fly an airplane, to a role and sort of ownership stake within the company and the biggest transition I think you want to see in a company is when the staff has that "ownership" feel. That it's not coming in for the paycheck and that's culture. And it takes a very, very long time to build culture and it takes a very short time to destroy it. I'm proud that the group troubleshoots as often as it does without us having to hold their hands. I also like when you hear, every owner likes to hear that someone applied for a job because someone within the company recommended them for it and recommended the company.

There's a lot of aviation companies out there and when you hear that, it's also saying to you that you're building a company that they want to work in and that's very rewarding. I get a great kick, as you do probably, too, in employing people and being part of their lives that way.

- 22:57: TODD: Well, it really sounds like you've really kind of cracked the code on building a successful team. You know it's not too often that you hear someone say they've launched an airline and has a really profound team. So, I know a lot of the listeners will want to know some of your secrets in terms of resources. So, let's talk about three key resources that have contributed to your success as founder and CEO. We call this our Rapid Resource Roundup. So here's the first one: what's your favorite trick or technique, software or even approach that helps you increase your personal productivity?
- 23:33: ANDREW: It's actually very simple and it's not technologically based at all, but I need to be more organized and we have created basically an operational plan where we keep people by writing it down. Write it down! It seems very simple, but you write it down and you put some dates and some ownership to it and you will become far more efficient than you scratching your head a month later and saying "weren't we supposed to do that?" And so actually I find that piece very simple. As far as technology goes, there's some aviation technology systems that we use to try to move the pieces of the puzzle around. We have a traveling salesman problem in this company in that the planes are flying all over the place and it's hard to come up with the right formula for most efficiency. But I would say my advice would be to just write it down and tie people to it. Point to someone and say this is what you have to do.
- 24:27: TODD: I love that because a lot has been written about when you actually physically write versus typing and how much it has impact on the brain. That's terrific. So what's your favorite book, movie, magazine or podcast that's helped you in successful shift from the founder role to the CEO role?
- 24:43: ANDREW: You know, I've thought about that a lot because I'm not big on business books, but there's one book that's on my shelf and I recommend everybody read it. I saw Harlan Steinbaum speak and he's the founder of a large pharmaceutical company. He founded Medicare-Glaser. He wrote a book called *Tough Calls from the Corner Office* and he interviewed a group of founders. Danny Meyer who is the founder of Shake Shack, interviewed the founder of Enterprise Rent-a-Car and they all had to make a decision in their careers that set them on the course for either success or failure. And it's a collection of stories and it's called *Tough Calls from the Corner Office* and I don't know how popular the book was, but I've taught some aviation business classes on Long Island and I ask everybody to read it. I think it's a really interesting book because I think making a difficult decision is one of the key points of being a founder. It is much easier to sit at your job in a corporation and collect a paycheck, but what decision did you have to make that impacted other people, maybe other people negatively sometimes, but that you had to do for the organization?
- 25:59: TODD: Yeah, sounds like a great book. I'll make sure it's in the show notes.

26:01: ANDREW: I also, like a lot of, I try to listen to a lot of what Danny Meyer has to say. I think Danny is, he is the owner of a series of high level restaurants in New York City. I think Gramercy Tavern is one of them and one day he decided to start Shake Shack. I don't know if you have Shake Shack.

26:22: TODD: I love Shake Shack! We don't have it in Cincinnati yet.

26:34: ANDREW: Alright, so I've been going since the original Shake Shack, so sort of feel like it's really mine.

[Laughter]

Now everybody who has to know about it is happy, but he decided to start a much lower end product, I mean his restaurants are much bigger ticket items. And so I like to listen to what a lot of Danny has to say. I read a lot, I've met Sir Richard Branson several times and he's an amazing story. I also like to read biographies of historical business people. So I read one on Joseph Pulitzer, Andrew Carnegie and I take away something from every one of those biographies. I'm a big fan of biographies, instead of people who write self-help business books, which I'm not a fan of even though I'd like to write one one day. I'm really a big fan of ready actual biographies, sort of historical characters and the complexities of who they were any how they became successful and whether you agree or disagree in how they did things.

27:29: TODD: Well, do you have one of them? Is one of them one of your favorite founders? Do you have one that you kind of say to yourself "yeah," you really like that person and kind of your favorite founder.

27:39: ANDREW: Well, I mean, there's a couple. There's the book on David Neeleman from Jet Blue, so in my business I like to read about David Neeleman, very interesting character, had a lot of struggles. The Steve Jobs bio, you can't go wrong reading about that. So those are sort of the bigger names that I enjoyed reading and learning about.

28:02: TODD: That's great. Well, you know, you've been very generous with your time and had some great insights so as we head toward the homestretch of the interview I have a though provoking question for you. What's one thing you wish Andrew the CEO could have told Andrew the co-founder about building a start up to a sustainable company?

28:19: ANDREW: Ask for help from an earlier stage. Recognize earlier that there are more people who want to help you and not necessarily get anything monetarily out of it, but that they are rewarded by mentoring you and don't be afraid to do that.

28:38: TODD: Oh, that's great advice. Yeah, ask for help, right?

28:41: ANDREW: Ask for help. The amount of people that you discover who just say "I just like what you're doing and I'm going to help you," and they don't ask for anything in return and you shouldn't feel guilty about it because they're getting something out of it. They're getting a personal reward out of it.

28:56: TODD: So, Andrew what's in the future for Hopscotch Air, how do you as the CEO hope to take the company?

29:01: ANDREW: You know, our vision is really to transform this business. A lot of people start on demand charter companies as mom and pop shops. Their happy with their few planes, they hang out at the airport, this is sort of for some people a hobby business, for some people it's just a small mom and pop shop business. Our vision is really to change the business and in our little market space I think we've done that. We've been disruptive to the airlines and we would like to be disruptive on a nationwide basis. And I would like to see Hopscotch as a national

creation even internationally and we've talked to people in other countries because we think that it's a product that everybody can really get on board with and that has enough mass appeal that it's just not a niche product anymore.

29:50: TODD: Absolutely. Well, what's the best way for other founder and CEO's to know more about Hopscotch and your services?

29:56: ANDREW: Well, first they can absolutely send me an email. Andrew@flyhopscotch.com. I'd love to talk to anybody out there who wants to learn more about the business or has questions or somebody I could ask questions of. Our website www.flyhopscotch.com has a lot of material on it including videos and there's a fair amount of articles written about the company that they could look up as well. So any of those venues, but I encourage people to reach out to me, I would be happy to talk to people.

30:24: TODD: That's very generous of you and we thank you so much for coming on the podcast today Andrew. You've been terrific, very generous with your time and we really appreciate you sharing your personal journey from founder to CEO and we all look forward to seeing you and Hopscotch Air make its mark on the world.

30:39: ANDREW: Todd, thank you.

30:40: TODD: Thank you.

30:41: ANDREW: Terrific, I appreciate the time.

30:42: TODD: Thanks for listening to From Founder to CEO. I know all of you strive for continuous improvement in your businesses and so do I. So shoot me an email at todd@fromfoundertoceo.com, tweet me at FromFounder2CEO, or look for me on LinkedIn. Until next time, success be with you.

31:08: END