

## FP EDGE

FE1

FINANCIAL POST, MONDAY, APRIL 5, 2004

## Firm rides shotgun through change

Fills the gap between signing the deal and reaping the benefits

By JIM MIDDLEMISS

The most difficult part of acquiring a competitor, or outsourcing part of your operations, or buying cutting-edge new technology comes after the ink is dry on the contract and the lawyers, accountants and consultants have left. Then the focus turns to executing the strategy and bringing it to life.

That is where companies are most likely to fail in a project that involves transformative change, says Alex Leman, president of the Leman Group, a Toronto consulting firm that specializes in helping companies implement change.

Mr. Leman describes transformative change as a corporate-altering project, whether it is a merger, the divestiture of a business line, an operational reorganization, a major outsourcing initiative or an enterprise-wide technology project.

Changes such as those can be a recipe for corporate failure. A recent *Canadian Business* magazine survey of 100 large mergers

### IT CAN BE DIFFICULT TO EXECUTE CHANGE SUCCESSFULLY

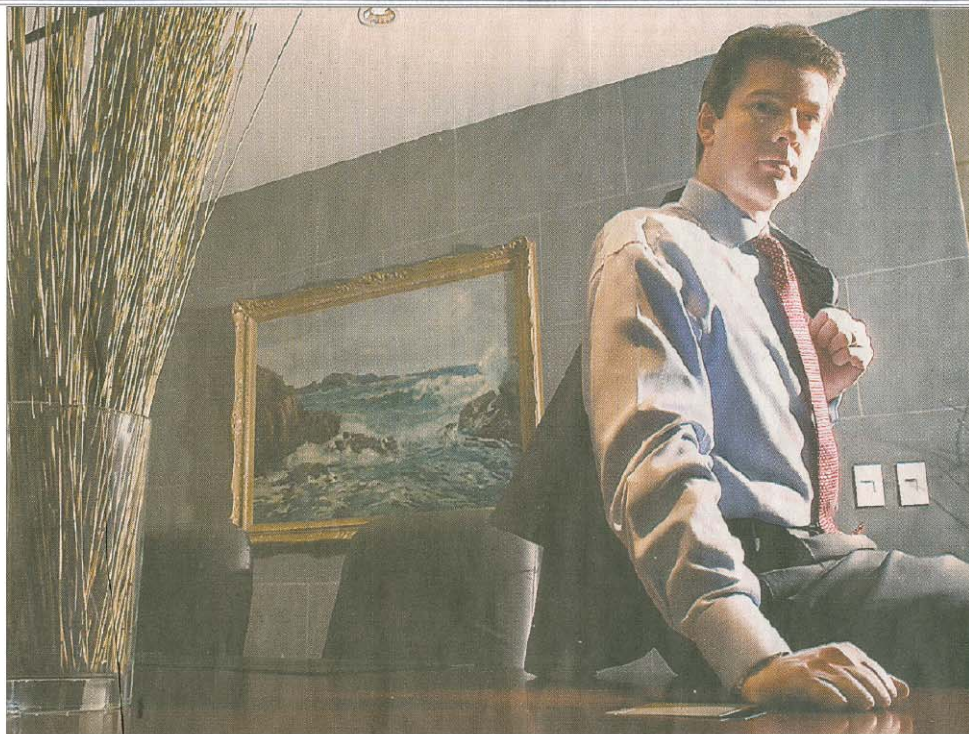
in Canada between 1993 and 2002 found 60% destroyed the shareholder value of the company that made the acquisition.

IT projects can be equally frustrating. One seminal report by the Standish Group in the 1990s found 31% of IT projects are cancelled before completion, and many cost almost twice the original estimate. A KPMG Canada study in 1997 had similar findings. Of the IT projects studied, more than 61% failed, half substantially exceeded their budgets and 30% came in late.

Business resource planning projects and the implementation of technology designed to run across an entire organization are especially difficult. The Conference Board Inc., a New York-based non-profit organization that studies management issues, found 40% of ERP projects fail to achieve their business case within one year of going live and implementations were typically 25% over budget. The problem with projects designed to change an organization, Mr. Leman says, is "you can't simply do what you were doing yesterday."

"It's never quite as clean as it seems at the time you're putting the deal together." He says there is "often too little planning done pre-closing and it takes too long to get things moving once the deal actually closes."

See EXECUTE on Page FE4



Hands-on help: Alex Leman, president of the Leman Group, says his company can assist with implementing a merger, reorganization or technology project.

## Caution needed so employees don't become demoralized

### EXECUTE

Continued from Page FE1

Sometimes it takes a while for an organization to recognize a project is not coming together. Before you know it, he says, the project is off the rails and the expected benefits go down the drain.

Leman Group has been called in to rescue projects, as well as manage them from beginning to end. Its consultants are hired to execute plans — to ride shotgun over major projects to make sure high-priced advice from the departing strategists is executed to perfection.

Mr. Leman says it is an area of business often overlooked by consulting firms that want to provide a vision, seal the deal and move on. "The real work starts when the deal closes," he says.

"We don't just focus on putting plans together. We provide over-the-shoulder advice and we will step into a hands-on implementation and take a leadership role."

It is a service greatly appreciated by clients. Grant McDaniel, vice-president of business development for Symcor Inc. and a Leman Group client, says consulting strategists often come in and "they get the C-level [executives] really excited. Then they leave."

Then, he says, the implementation of a project is often dropped into the laps of managers who were not at the table with the consultants, which often results in a gap.

"Leman helps bridge that gap," he says, by bringing project management expertise and business acumen to the table. Mr. Leman's firm, "provides project leads who work in tandem" with his own staff.

Lee LaRue, an IT executive at a telecommunications firm in Toronto who has worked with Leman Group in the past, calls the firm his "secret weapon" when I am getting in a tough spot. I know if I engage his firm, he will come through every time." Mr. LaRue says once the strategy is mapped out, there is "still a lot of definitional work that needs to happen. They play at that critical stage, where strategy meets tactics."

Rather than immerse himself in the detail, he says he can turn to Mr. Leman's firm to make it happen. "I see them as an extension of myself. They can execute in a

### A NEW PROJECT

### CAN BE A RECIPE

### FOR FAILURE

manner that I would have done."

What makes the Leman Group unique, he says, is it goes in as "deep or shallow as desired" and its experience runs the gamut, from mergers to outsourcing and divestitures.

"Most players want to come in and do it all. You're left without the know-how that led to the outcome." The problem with that approach, Mr. LaRue says, is "you don't have any institutional knowledge of what was done." The Leman Group works with existing staff when implementing the change, which allows the company to retain the knowledge.

Mr. Leman says it is the understanding of what can and will go wrong in a big-change project that most companies lack internally

and his firm brings to the table.

If a business simply is looking to obtain a 2% incremental improvement, that is best done by a line manager, he says. But if a company is looking for the "big transformation" then executives need to consider hiring someone to execute the process.

However, a company needs to ensure the outsider is accountable for a project. "We take on the burden of delivering it, rather than just laying out a strategy on how to deliver it. We do what it takes to get it done," Mr. Leman says.

Mr. LaRue says accountability needs to extend beyond the execution stage to include the business case. Anyone can "execute in a robot-like fashion." The challenge, he says, is walking into a foreign environment, being able to hit the ground running and knowing what buttons to push to make things happen.

With IT projects, he says, there is lots of technical skill, but the business vision can be lacking. Mr. Leman's firm takes a holistic view to change, providing the technical and business expertise needed to pull off the transformation, Mr. LaRue says.

"We don't have a political stake in the outcome. We have the luxury of standing back and asking what's right for the organization," Mr. Leman says. Nor are they fighting for their jobs.

The biggest shortcoming Mr. Leman says he sees is senior executives' inability to explain their vision to the line employees they depend on to make it happen.

"Often organizations do a poor job in making it clear to an employee what it really means. Employees end up frustrated and demoralized. They don't understand the game plan and what they need to do to contribute to the five-year plan the CEO laid out at the annual meeting. It can be very demoralizing and leads to cynicism."

Financial Post  
fpedge@nationalpost.com