

YVAN ALLAIRE, THE STRATEGIST *

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Yvan Allaire has shaped and crafted the strategies of a number of large companies in Québec. At Bombardier for the last five years, he went from advice to action. Today he leaves his job as Executive Vice President, but leaves behind solid foundations for the future.

Yvan Allaire glances at the monitor that shows how the Bombardier stock is doing. “Good, the stock is up 30 cents!” Meanwhile, in the Federal Parliament, the Canadian Alliance MP’s are needling Jean Chrétien about a possible billion-dollar loan to Northwest Airlines to finance the purchase of a hundred planes from Bombardier. “Actually, it is looking good. Today, the loan issue was raised last in question period by the Alliance party”. If Yvan Allaire sees in that a strategic shift, believe him. Strategy is his game!

For 25 years, his advice and counsel have influenced, often decisively, some of the brightest lights of Québec entrepreneurship. Jean Monty called on him, so did Rémi Marcoux, André Bérard, Marcel Dutil, the Chagnons and Yves Gougoux. “I had just bought all the share of BCP,” says Gougoux, “and I wanted clear advice on the structure to put in place, the kind of governance I should adopt”. Issues to resolve, a strategy to

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design, a governance system to fashion: these are challenges which always stir Yvan Allaire. And it is with Bombardier that his science of management has had the greatest impact.

Making a deal with Laurent Beaudoin

Some sixteen years ago when Yvan Allaire answered the call of Laurent Beaudoin, Bombardier was at a turning point. At the time, its thousand of employees were turning out snowmobiles and mass transit equipment. Flush with cash from the latter business and determined to grow the company, Beaudoin was thinking of a third leg for the company. “But diversification is a minefield,” says Yvan Allaire. “When you buy into an unrelated sector, you must show how you’ll create value beyond what the previous owners could do”. Shortly thereafter, the Canadair opportunity turned up, a great name but a very risky proposition. Canadair had lost tons of money as a crown corporation. Laurent Beaudoin and the board of Bombardier, nevertheless, decided to go for it when Canadair was to be privatized. This acquisition would double the size of Bombardier and bring the company into a completely new market: aerospace. “Bombardier managed to instill in Canadair the values that made it successful: entrepreneurial drive, managerial autonomy within a well-defined governance system, incentives linked to performance” says Yvan Allaire who helped put that system in place. “This is the model that was applied for later acquisitions. It was refined over time but the basic model remained as a guide to action”.

With one clear benefit: the growth of Bombardier was matched by the growth of its market value. Today, investors are ready to pay a premium for Bombardier. The company is worth more than the sum of its parts. It is a Premium Diversified Company, “like GE”, notes Yvan Allaire, who sets the bar high. Such companies stress entrepreneurship and initiatives and stamp out bureaucracy. There are hardly more than a hundred people working at the Bombardier corporate office. Corporate management decides on strategic orientations, monitors action plans, controls performance. Line managers drive their business to grow and produce high economic performance. Everyone participates in an on-going dialogue about strategies, goals and performance. With the recent acquisition of Adtranz, headquartered in Berlin, Germany, Bombardier now has some 79,000 employees. Fortune ranks it high on its list of the most admired global companies. Forbes puts it on its short “A” List of global companies to invest in. The Report on Business of the Globe and Mail, based on surveys, selected Bombardier for several years as its “most respected company in Canada”. Laurent Beaudoin is acclaimed as the greatest entrepreneur Québec has ever produced. One of his secrets? “He could not do everything all by himself,” says the chairman and CEO of BCE, Jean Monty. He needed a right arm like Yvan Allaire who integrates management principles with the entrepreneurial spirit of Bombardier”. Together, they were the most brilliant, and the most dissimilar, tandem in the Québec economy. The businessman, the practical man of action, found support in an intellectual trained at M.I.T., schooled in management theories and a master of strategy. And they hit it off.

“Yvan knows all the management trends, all the theories and he knows how to explain them and make them relevant,” says Laurent Beaudoin. “I am a practical man. But today, at Bombardier, everyone thinks long-term strategy”. And when Robert Brown took over as CEO in 1999, the momentum continued. Bombardier never slowed down. “We have become so big today that responsibilities have to be delegated,” says the man who was the fair-haired boy of the aerospace group before taking over the reins as President and CEO of Bombardier. “To sustain growth, you have to give power to line executives without the corporate office losing its ability to shape orientations and monitor performance. There has to be a good balance. Our form of governance was inspired by Yvan”. “The transition from Laurent to Bob was a smooth one, among other reasons, because of the system of governance put in place by Yvan Allaire” adds Jean Monty, a member of Bombardier’s Board of Directors. Yvan Allaire is now leaving Bombardier.

In early July, he will leave his position as Executive Vice President of Bombardier and Chairman of Bombardier Capital, while remaining on the Board of Bombardier. Not that he is tired of the high intensity life of a top executive. But that was the game plan. When he finally agreed to join the company in 1996, he had specified that it would be “for five years”. Today, aged 60, he is full of projects he is impatient to get on with, including writing books, coaching a few CEO’s and creating the Academy of Strategic Governance to help senior management teams create in diversified, growing companies. As a partner, he can count on his Romanian-born wife, Professor Mihaela E. Firsirotu, with whom he

wrote “L’entreprise stratégique” (The Making of Strategy), a leading edge book published in 1993.

Once a professor, always a professor

In some way, he is returning to his roots and the original spirit of Secor, the consulting firm he co-founded in 1975 with Roger Miller and Marcel Côté, and through which he helped build what is called “Québec inc.”. They started from the premises that they could apply the best management concepts and theories to solve practical business problems. “I don’t believe in the flash of intuition, if it means an uninformed guess or ‘insight”. I do believe in insights which result from passionate, intense analysis and learning of a subject. Think of a chess player: often he will know almost instantaneously what move to make. But that’s not intuition; it is the result of years of learning and playing”.

Yvan Allaire, who still likes to be called Dr. Allaire, is on his turf. The professor still lives in him. It’s not surprising as he taught for more than 20 years marketing, research methodology and strategy at the School of Management of UQAM. His deep attachment to this profession led him to resist Laurent Beaudoin’s overtures for more than 10 years until he finally joined the company in 1996. “There’s something noble and free, I find, in the calling of a university professor. But I can’t be a professor of strategy without being a strategist. One must get involved in real business situations to avoid the syndrome of the professor of surgery who’s never been close to an operating table”.

“You have in Yvan Allaire one of the most brilliant intellectuals in the management sciences on our continent. His writings are included in the business curricula of American universities. In French, he is the greatest. And he showed the same brilliance when he turned to practice”. This compliment comes from a university colleague, Bernard Landry, who has also returned to the line of fire. The Premier of Québec did not hesitate to speak about Yvan Allaire even if the two men do not share political allegiance. The co-founder of Secor was the Chairman of the Policy Commission of the Québec Liberal Party from 1979 to 1981. “But the Liberal Party of Yvan Allaire, is the party of Claude Ryan and the Beige Book (the PLQ’s constitutional policy document of 1980); it proposed an autonomist position, to such an extent that I could subscribe to some of the theses it contains,” adds Bernard Landry. Pleased with the compliment, its target however shrugs off this presumed ideological proximity. “I always told him I regretted that the PQ had forced Québécois to decide on a “yes” or “no”. Our society came out of that experience divided and weakened. I do hope that one day Bernard Landry and I could agree on a vision and a terminus for Québec. Meanwhile, Bernard Landry has done well by the aerospace industry in Québec and he has been a very active participant to the air shows of Le Bourget and Farnborough”.

Intelligence, with risks and benefits

Intelligent, bordering on genius, is the term that constantly comes up in discussions about Yvan Allaire. “Incredible intellectual curiosity,” says Jean Monty. “Superior

intelligence,” adds Guy Savard, who consulted him while he was President of the Caisse de dépôt. Allaire knows it, even including his membership in Mensa, the club for exceptional IQ’s, on his CV. Once he had a reputation for being curt and short tempered with those who didn’t catch on right away. “Take my laughter as an answer,” says another guru, Henry Mintzberg when asked about Yvan Allaire. Reached in Prague, Henry Mintzberg knows Yvan Allaire well. He too has a Ph.D. from M.I.T. and he supervised the doctoral thesis of Allaire’s wife. “I would say that Yvan’s thinking is more analytical than mine” he added “and he’s a brilliant strategist. Quite extraordinary. Intellectual debates with him are always challenging”.

“I became more tolerant with age,” Yvan Allaire admits, showing that characteristic smile in the corner of his mouth, present even when he talks about the most complex subjects. “In fact, what irritates me most is stubborn people who think they know when they don’t”. A rebellious lock of hair enhances his look of an intellectual, of which he is clearly fond. And he lets nothing get by him. To the journalist who casually mentions that Bombardier’s stock had been lethargic lately, he promptly informs him, without referring to any document, about the exact one-year performance of Bombardier’s stock relative to the TSE 300. And, he notes in passing that he was reminded in 1996 that he still owned shares bought for a thousand dollars in 1976, shares he thought he had sold years ago. Those shares are now worth more than \$200,000.

“Yvan has a great mind, unable to remain idle. I will surely call him. I know he won’t be able to resist a challenging mandate,” says Michel Décary, a friend and attorney at Stikeman Elliot, who has seen Yvan Allaire at work in the past. “I was representing Steinberg in a case where the Retail Grocers’ Association, the ADA, were opposing the granting of permits to sell beer in the grocery chain. They said Steinberg would kill off the little stores. To oppose us, the ADA could count on a battery of experts: economists, sociologists, etc. I had as my expert witness just Yvan Allaire. That was enough. We won. He did a study showing that Steinberg customers had quite different behavior patterns from customers at convenience stores and that the shift in market share would be small. The Quebec Liquor Licensing Board agreed with all his arguments. His study was a little masterpiece. His erudition is so vast! Did you know he started out as a clerk for the Bank of Montreal in Arthabasca and that the tests the Bank gave its employees led to the discovery of this gem of a brain?”

From Arthabasca to M.I.T.

It was in the closing years of the 50’s. Yvan Allaire had to stop his classical studies and go to work for the Bank to help his family. He quickly registered for the Fellowship Program of the Canadian Bankers’ Association, managed by Queen’s University. That correspondence course was then all in English. “I sent my first assignment in groping English; it was returned to me, ungraded, with a terse, red-penciled “Learn to write English!” Others might have become separatists but not Yvan Allaire. Instead, he

decided to show them. And how! By the end of the four-year program, he finished first amongst participants from all Canadian banks. Made an inspector at the age of 21, he was quickly noticed. In 1965, the Bank of Montreal decided to create the President's Scholarships, a program inspired by Yvan Allaire's performance, to send to university a number of promising young employees. The winners of these scholarships were expected over a period of four years of full time study to earn their bachelor's degree.

Yvan Allaire did win one of those scholarships but did not want to spend four years to get a Bachelor's degree. The University of Sherbrooke agreed to admit him in the Master of Commerce program. The next year, he switched to the MBA program, the first year of the first such program in a francophone university. Early in his MBA, he was offered to become a professor at the Université de Sherbrooke; with the blessing of the Bank of Montreal, he accepted that offer and began to search for the best American university to get his Ph.D. He chose M.I.T. and in three semesters, had completed all academic work for doctoral courses and passed the general examinations. Here was someone with a high school education who, given a scholarship for eight semesters to get a bachelor's degree, achieved in nine semesters, a bachelor's degree (summa cum laude), an MBA, and all the course work for a Ph.D. from M.I.T.

Today? "The task of business leaders is harder than ever. More diversity in geography, in product-markets, more pressure to create shareholder value... There is a whole art and science of strategic governance on which I have been working for more than 20 years. Ultimately, you have to help companies be more useful to their customers and mobilize

the talent of their people”. And as his capacity for work is legendary, what will he do in his spare time? The answer might be surprising if it didn’t come from Yvan Allaire. “I will allow myself to write some poetry. There are moments of great intensity, of drama, even of terror in management. Poetry is a form of total communication which can capture these moments”. Like a chess player transcending his science, converting it into art.

THE ART OF STRATEGIC GOVERNANCE ACCORDING TO YVAN ALLAIRE

In a large complex company, corporate leaders should not manage but should govern. As Yvan Allaire sees it, there is a whole difference in leadership style, in decision making process, in strategy and goal setting between the two. This is a credo he has been professing for more than 20 years to executives facing the challenges of growth. With growth and diversity comes the need to delegate. The corporate leader can no longer continue with a hands-on style of management, making all the decisions; but he cannot either abdicate his role as leader, his ability to make the difficult calls and his accountability for the overall performance of the company. There must be a system of checks and balances, a process to reconcile the autonomy of business leaders with the overall responsibility for strategic orientation, capital investments and shareholder value of the corporate leader. That is the subtle art of strategic governance.

According to Yvan Allaire, a leader experienced in the ways of governance will be able to guide, goad and ultimately control the whole company, in spite of its size and complexity. He or she will achieve this through the combination of a clear, compelling vision for the company and a constant dialogue on issues, strategic orientations and performance with the leaders of each business making up the company.

The leader at the top must be highly legitimate and credible. He must understand well each business reporting to him, their strategic dynamics, their key performance indicators, their drivers of value, and so on. In that respect, strategic governance to be effective calls for the right kind of leadership. In his choice of Bombardier, Yvan Allaire was judicious, as he is fond of telling everyone on every occasion: Laurent Beaudoin was an exceptional leader who understood, and adapted to, the exacting demands of governance at Bombardier, a role which is now carried on by Robert Brown.