



# Driving Change

Over the last two years, Leighton Contractors has doubled in size and diversified its portfolio to now include significant mining, industrial, telecommunications and investment activities.

**Managing Director, Peter McMorrow,** talks about the new face of Leighton Contractors.

#### **How has Leighton Contractors' business changed in the last two years?**

Two years ago we were basically a general construction company, with 2,500 employees and our business was mostly structured in geographical silos. Today, our structure is very different: we have six national divisions – Construction, Mining, Industrial, Telecommunications, Investment and the building business of Broad – still with a strong focus on local delivery and accountability. We have a new management team, who have restructured and rebuilt the organisation. This new structure enables us to leverage off our strong asset base and project delivery capabilities to service clients on a national basis. With the recent acquisition of HWE's Mining operations, we now have over 5,000 employees.

We're now focused on much wider markets, with robust, sustainable business plans and enthusiastic, energetic teams who are stepping up to the plate every day. As a result, our work in hand has jumped from \$2.5 billion to over \$6 billion, giving us a very strong, diversified business base.

Another major change from two years ago is that we have developed stronger credibility with our clients and partners regarding our alliance capabilities. Working more collaboratively has contributed to us winning a number of new alliance projects including: the Inner Northern Busway in Brisbane and the Southern Gateway Alliance in Perth.

#### **What impact have these changes had on your financial performance?**

By this time next year we will have nearly trebled our turnover from where we were in 2004 – but the most striking improvement has been in profitability.



Two years ago, as a result of a number of poorly performing projects, our profitability was at an all time low. 2005 saw us back in the black and this year we have delivered a further improved result. Next year will see a step change in our results with our profit forecast to be more than double our target. It's a pretty amazing achievement in such a short timeframe.

#### **What were the key drivers of change?**

We needed to strengthen our financial performance and improve our risk profile by balancing our workload across different market sectors. We also needed to turn Leighton Contractors into a company people wanted to continue working for. Retention is a huge issue in our business: we had to make the company an exciting, dynamic place to work. It had to be somewhere people could see a promising career path; somewhere that would generate enthusiasm and pull in fresh new talent.

Efficiency was another driver: our business was in silos and we weren't leveraging our skills outside their geographic boundaries. We needed a structure that would allow the business to share its skills – that way we could provide a better service to our customers.

So, we set ourselves a five year recovery program and, while we still have a few years ahead of us, we've either met or bettered everything we said we'd do in the initial phase. It hasn't been easy, but we stuck to the plan and the plan is working. I can see it's going to take us exactly where we want to go: right to the top of the industry.

#### **What were the biggest successes?**

The most noteworthy event of the last year was acquiring HWE's mining business, which substantially diversified our operations. The transaction firmly established Leighton Contractors as a leader in the Australian mining industry, making us the largest iron ore service provider by far. HWE has excellent people with significant expertise. Obviously, with our balance sheet we can now invest in HWE's operations and really make them shine.

## “our 'can do' culture is back – alive and well!”

It's proved to be a good cultural fit and we're cascading best practice systems across the group.

Importantly, HWE brought with it a 50 per cent ownership of the indigenous employment and training joint venture, Ngarda Civil and Mining. Ngarda has a primarily indigenous workforce that provides contract mining and civil infrastructure services. We see this as an excellent investment that will enable us to support both the indigenous community and the resources sector.

In construction, a major milestone was successfully completing the Westlink M7 eight months early and having our equity stake in that project deliver excellent returns. With our partners we also secured two new major infrastructure projects in Brisbane: the \$2 billion North-South Bypass Tunnel and the \$1.8 billion Gateway Upgrade project.

At the same time, we've secured a lot of work in NSW, moved into new areas like water and rail and re-established great working relationships with government authorities across Australia.

We've also found new strength in New Zealand where our local partnerships have enabled us to pick up the lion's share of the big infrastructure projects.

Then there's telecommunications, where Nextgen was the first Australian Telco to launch a national Virtual Private LAN Service for corporate customers.

Meanwhile, our Investment division has become a profit centre in its own right, with its own business plans and strategies for business development around PPPs, toll roads and social infrastructure, not just in Australia, but through Joint Ventures with our Asian counterparts.

Finally, our strategy to leverage skills within Broad is paying off, bringing in development as well as construction profits.

#### **How has the culture of Leighton Contractors changed?**

Two years ago, I think there were parts of the company that had become tired: they'd been doing the same thing for a long time. Today, it's exciting, energetic and dynamic.

One of the most important factors in creating that cultural shift was improved communication. We worked very hard to communicate why we were changing and what needed to be done. Once people saw the bigger picture they got enthusiastic about what we were doing and put their shoulders to the wheel of change. We also brought our people together through our change program, Project Focus, which created forums for sharing best practice across the group. This has created better synergies between our people, teams and business units. As a result, there's a feeling of community. Our people, our partners and our customers are excited about, and have embraced the way we have changed.

#### **What lessons did you learn during the change process?**

Business improvement is a work in progress: the market doesn't stand still; the world economy changes the demand for commodities and infrastructure; the employment market changes; and our clients respond and adapt to change as well.

It's important to stick to your goal and your strategy, but be prepared to adapt and improve it as you go.

Include all of your people in the process. A huge number of people had input into our change program, with numerous employee forums, executive team workshops and a lot of individual sessions with me – even our clients got involved. These sessions are important, as a reality check on progress, and also to make sure our people understand what is happening and why. All of the great ideas came from our own people. Conducting a change program without them would have never succeeded.

Finally, give yourself enough time. Right now, because we have a culture of change, people keep bursting through my door with new ideas. Some of them are ahead of their time. So we're actually putting our foot on the brake a little – making sure we prioritise and wait until the time is right.

Having said that, it's great to see that type of enthusiasm – a great indicator of how much our culture has changed. This is such an exciting place to be right now: our 'can do' culture is back – alive and well!