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Andersen CEO leaves firm for Webvan

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update Andersen Consulting's longtime chief executive George Shaheen rocked the management consulting firm today with news that he is leaving to head online grocer Webvan.

Shaheen will take over as president and chief executive officer at Webvan immediately, the company said. Webvan founder Louis H. Borders will drop the title of CEO and remain as board chairman, the company said.

Analysts said Shaheen's departure from the \$8.3 billion privately-held company comes as a surprise-- yet underscores the power of Internet start-ups to [lure](#) top industry talent.



"I'm sure this is something [Shaheen] thinks is the next Yahoo, or the next Amazon, and he wants to be right there, a part of something from ground zero," said Tom Rodenhauser, an industry analyst at Keene, New Hampshire-based Consulting Information Services.

Veteran Andersen partner John Kelly has been named Shaheen's interim replacement, with a new CEO slated to be hired before early November, according to a statement Andersen issued today.

Shaheen, 55, has led Andersen Consulting since the firm became an independent unit in 1989. Under Shaheen, Andersen's revenues increased from \$1.1 billion in 1988 to \$8.3 billion last year.

"After more than 30 years at [Andersen Consulting](#), my choice would have been to retire sometime next year," Shaheen said in a statement. "However, this new opportunity required that I move up my decision; and, as a result, the timing was not under my control."

The person who likely courted Shaheen was Louis Borders, who started Webvan earlier this year. The well-funded Foster City, California-based start-up filed last month for a \$345 million initial stock sale to help build up its grocery distribution network.

That IPO filing came just two months after Webvan, which competes in an increasingly crowded market with rivals such as Peapod and HomeGrocer, started selling groceries in San Francisco. Borders holds a 28-percent stake in Webvan before the IPO, according to Bloomberg.

Rodenhauser said Andersen executives, in a conference call with analysts this afternoon, seemed truly shocked by Shaheen's move, which was announced to senior management Sunday night.

"Shaheen is going from head of this \$9 billion company to start-up Webvan," Rodenhauser said. "It's just something you don't expect from a 30-year Andersen guy."

Maybe not, but it hasn't stopped a flow of other executives from buttoned-down Big 5 firms

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from exiting to dot-com start-ups or publicly traded companies, which can offer stock options that employees can't get at privately held giants.

For example, Rudy Puryear, former head of Andersen's e-commerce division, recently left Andersen for Web services company Lante. Greg Owens, former head of Andersen's supply chain practice, is now chief executive at supply chain software firm Manugistics. Besides Andersen, the list of defectors within computer services companies has grown to include Gary Moore, the head of EDS's E.Solutions unit, [who jumped](#) to a Silicon Valley start-up. Earlier this year, longtime IBM executive Bob Howe left Big Blue to head e-services start-up Scient and Cambridge Technology Partner's former chief executive Jim Sims [left](#) the company and is now working on a start-up project, sources said.

To combat the turnover issue, Andersen rival KPMG is trying to spin-off its consulting practice, a move that would not only enable the company to offer its employees options, but would also lend the cash it requires to invest in building a heftier outsourcing practice, analysts say.

Despite its inability to offer stock options, Andersen, which operates its consulting practice separate from its accounting business, remains a powerhouse, with 65,000 employees worldwide, 1,251 of them partners.

But Shaheen's departure does underscore how Net companies are shaking up management ranks within bigger, more established firms, said Robert Shaw, chief executive at USWeb/CKS, which sometimes competes with Andersen for contracts. Shaw said Andersen has "made their bed with multiyear, huge projects" in a market that's moving toward shorter contracts and faster project implementations.

"I wouldn't underestimate [Andersen]," he said. "They're not going to die, but they've certainly missed a whole beat."

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