

Horacio Rozanski: How do we use VR to train soldiers so that they come home safe? How do we use new communication methods? How do we protect our assets in space? These are the kinds of problems that our people love to work on.

INTRO

John Waldron: Hello everyone. And welcome to Talks at GS. I'm really excited to be joined today by Horacio Rozanski, the President and CEO of Booz Allen Hamilton. Horacio, thank you very much for joining us today.

Horacio Rozanski: John, thank you for having me.

John Waldron: You were born and raised in Argentina. As many of us know, that was a military dictatorship. You certainly witnessed a lot of social and economic turmoil. And you left for the United States, I believe at age 19, to come attend college in the United States. Maybe just give us a glimpse into your upbringing and the contrast between what you experienced in Argentina and then what you experienced when you arrived in the United States.

Horacio Rozanski: Growing up in a dictatorship you assume certain things to be normal. I think I was in first grade when they taught us to march and to parade and to stand at great rest. They didn't teach us respect as much as they taught us obedience.

My parents worked extremely hard. They were both first generation college. And what was for me the hardest thing to watch was how much they struggled just to keep up with the crises. They were jumping from crisis to crisis, trying to protect what little we had as the country went through convulsions, really, one after the other.

So, when I was 18, 19 and I started college there, I was already dating my now wife. And we looked at each other and we said, "There has to be something better out there." Not just the opportunity, the economic opportunity per se, but growing up Jewish in a country that was fundamentally anti-Semitic was hard. Seeing my parents struggle was hard. And just we did not feel that Argentina aligned to our values. And so, we came here seeking those values.

John Waldron: Let's talk a bit about how that upbringing and that contrast between what you saw in the military dictatorship

and what you saw when you came to United States, just talk a bit about some of those early days and how that might have had an impact on you as a leader.

Horacio Rozanski: So, one of the things that I came to love when I came here is the fact that you felt that hard work paid off, which wasn't the case where I grew up. You felt that you had opportunity. Not just economic opportunity, but opportunity to be some part of something bigger than yourself, opportunity to belong, opportunity to create a future not just for yourself, but for children we didn't even have at the time. That's the stuff that shaped me. That's the stuff that I try to bring to Booz Allen every day. I have-- this summer it'll be 30 years since I was a summer intern. And I still can't believe it. But I feel an obligation to pay that forward, to bring that opportunity to everybody, the 27,000 people that work here. That's really my motivation nowadays.

John Waldron: Maybe just talk about your journey. You started as an intern. You're now the CEO. Maybe you can just talk about some of the pivotal moments you remember, advice you received.

Horacio Rozanski: Early on in my career, Booz Allen in our private sector business where I started was an up or out business. You had a certain amount of time to get promoted. Or else you have to go find a job somewhere else. And I didn't have a green card. So, for me, it wasn't just about losing my job, it was, okay, I may get deported at the end of this. So, I was very driven by those promotions.

And I had a mentor who said, "You've got to let the game come to you. You're too focused on the wrong thing." And a switch went on in my head. And so, what I really love about this profession, it's not the promotion, it's the learning. And what was interesting about that when I started focusing on learning, I started getting promoted even faster. But it's been the learning that's motivated me. And you know, now I'm in this job where it is up or out. I have nowhere else to go but into retirement. But I come to work, and I love the learning. So, that was great advice.

John Waldron: So, in July of last year you opened your second quarter earnings call with an eight-minute discussion around race and social equity, which was an extremely unprecedented action. I'm not sure I've ever seen that before. Can you just talk about your decision to do that? And did you face any opposition? And how did that go?

Horacio Rozanski: I think the agony that we felt as a country after the killing of George Floyd and the things that followed, the conversations we had internally, I mean, they were too powerful to not talk about. I made a statement that for us all of this is not a political conversation, it's a conversation about our values and who we are. And so, at least my logic, was if this is about who we are, we have to talk to our investors about it. We have to talk to our stakeholders about it. Not just internally, but externally.

And I think Lloyd Howell, our CFO and I, both felt that until we got that done, we really could not talk about the numbers. We didn't have the right perspective. So, we started there because it felt like the right thing to do.

I was actually surprised to hear that that ended up being unprecedented. I didn't know who was, you know-- it just-- there was no opposition because it was sort of natural from our internal conversation.

John Waldron: That's terrific. I mean, that's showing real leadership. You know? I think it's great that you guys did that. And my guess is it won't be unprecedented forever.

So, maybe, can I ask you just to dig a little deeper? At Booz, how are you guys thinking about diversity? How are you trying to attack the problem, create solutions?

Horacio Rozanski: So, you know, I will say, I stand on the shoulders of efforts by many others. This is not me and something I came up with. If anything, I am a product of those opportunities at Booz Allen. The fact that a company that does so much work in defense and intelligence would choose an immigrant with an accent to have this job tells you that a lot of people smarter than I are willing to put, you know, these concepts into action. So, I think my job and my leadership team's job is to pay this forward. Because of all of these efforts, we have one of the most diverse boards in the Fortune 500. My leadership team is more than 50 percent women. Is highly diverse. At this point it just so happens that our four operating units are all run by women. And we have an obligation to pay it forward. And frankly, we have work to do. We haven't made as much progress on the areas-- on areas of equity as we'd like. We have been very quiet in our work and have not talked about it externally. We have not been willing to be part of a broader conversation and try and move the ball, not just for us

but for others.

So, I think that's-- we come at it from that perspective. The first thing we've done is we've done a very comprehensive, intense assessment of ourselves to try and figure out, okay, we've had some success. How do we leverage that going forward? But where are we falling down? Where do we have to step it up? And it's uncomfortable and it's sobering. And it's, frankly, what gives me the optimism because if everything came back and said, "Hey, you're great, don't change," I would feel shortchanged by that.

John Waldron: So, Horacio, you've been leading a long-range strategy which I understand is called Vision 2020. You know, how does that influence the way you're thinking about change and innovation along the lines of some of the comments you've already made?

Horacio Rozanski: The real driver of Vision 2020 for us was we were working with our government clients. And we could see the tsunami of technological change that was already rippling through the private sector coming to the public sector. And we thought that was going to be extraordinarily challenging because the stakes are different, the issues are different, the scale is different.

And so, back in the middle of what was, essentially, a severe market downturn for government services, we doubled down in our investment in innovation. We brought innovation to the government before innovation was cool. We started talking to them about topics like data science, which now we have one of the largest, if not the largest, AI footprint in terms of support for the government. We talked about the changes in communication. Now we're talking about 5G. We're one of the leaders in cyber security, especially the very high end, most complex elements of cyber security. And we bring all of that together, again, in service of these missions. It's not just, "Let me show you a cool, new technology." It's "Let me help you solve a problem." Like, you know, how do we use VR to train soldiers so that they come home safe? How do we use new communication methods? How do we protect our assets in space? And do the cyber security around that? These are the kinds of problems that our people love to work on, that our clients believe we are special at helping them solve.

And before 2012 we understood, but we really couldn't do. We're now in the thick of it. And over the next decade, we expect to

double down on that. We expect all of that to accelerate. Technological change is not just here to stay, it's moving at exponential speed.

I think the one maxim of cyber that everybody knows, and we all forget is there are two types of companies, right? The ones that have been penetrated. And the ones that don't know that they've been penetrated. As grim as that is, it's not really a cause for despair. It's a reality. And so, you know, I say to people, "If you had to live in a glass house, you would adapt your behaviors to be able to live comfortably in a glass house." All of our networks are glass houses. There is something emerging called the zero-trust framework. Meaning in your own network you assume people can see what you're doing. You assume there are people that you don't know, and you don't want to have there. And you change your behaviors and everything else to adapt to that reality. That's ultimately where cyber security is going.

It's an even bigger challenge-- you know, we talk a lot about cyber security of networks, but cyber security of things connected to networks: cars, satellites, watches, alarm systems, toothbrushes. That is where the next wave of both challenge and resilience is going to have to come from.

John Waldron: So, I want to shift to sustainability, which at Goldman Sachs we talk about sustainable finance because, you know, we're financial professionals. So, you know, we've made certain commitments in our own right to finance and invest and advise on 750 billion dollars of activity around sustainable finance architecture by 2030. So, we're quite committed to doing our part. I know Booz Allen is very committed to doing its part. I'm just interested in how you think about it, you know, for your company and for your clients. And how you're sort of pursuing that agenda.

Horacio Rozanski: We believe that the work that we're doing around creating sustainable communities, around creating access, around volunteering and a number of commitments that we've made, are a huge part of creating a more sustainable world. And then for our clients, you know, a number of our clients now understand, for example, climate change as a national security priority. When you think about, you know, how climate change has created migrations and an increasing number of refugees and all of the issues, in addition to the human suffering that comes from that, these are issues we can impact directly by working with our clients on by trying to bring ahead. And to all of it we have to bring innovation.

I keep going back to all of these technologies that we can source from the top private sector, we can come up with ourselves, we can integrate from others, we can find in one place in the government and bring to another. All of those things together, in my view, are a key to creating more sustainable footprints, and a, frankly, more sustainable world.

John Waldron: So, I want to ask you a little bit about, just pivoting maybe more to the government, you know, post the presidential election. You know, we now, we're in a new administration. Obviously, we've got a new, you know, kind of characteristic in Washington in terms of who's in which seats and so forth. Just talk about how you and your firm are thinking about the direction of travel and the government, the challenges faced by the Biden administration, in the pandemic, beyond the pandemic. And what do you think are the key elements that we would watch for, you know, policy wise or otherwise, kind of on the back of this pandemic as we start to emerging out of it?

Horacio Rozanski: So, you know, let me make the following observation that I know you'll appreciate, but it's actually as simple as it is a driver of everything. The real challenge with our government is to be able to operate at the scale and complexity that they have to operate on anything. You know? If you just had to run-- figure out one tax return, that's not so hard. When you have to do as many and you have to do them in all of these circumstances, much harder. It's when you have to create a technology for one soldier, that's one thing. When you have a 4-million-person workforce between private and public sector supporting the DOD, that's a whole different level of complexity. And it's that complexity that makes things in the government so much harder.

And so, the one thing that we look for is clarity of priorities because when the priorities are clear, our clients can align their own priorities in the mission to the larger priorities. Yes. We as a nation make their investments. And we drive forward. But I think that prioritization is really going to be essential and critical, both for the nation to move forward, and for a business like ours to make sure that we're focused and making the right investments and bringing innovation to the right places.

John Waldron: What's the future for Booz Allen as we think about it today?

Horacio Rozanski: So, I think the future for Booz Allen is one of accelerated change. I think the world around us is changing faster. I mean, I think 2020 accelerated a number of things, delayed another set. 2021. I mean, this whole decade, every year is going to move faster than the last. And what's-- and Booz Allen needs to get faster. We're really good at what we do. We now need to figure out how to do the same thing faster. And I think that, again, goes back to we need to innovate faster. We need to be faster in terms of understanding our clients' missions and how to support them. And the thing that's most important to me and what I really want-- I hope will be my legacy, is opportunity. We need to create opportunities faster and for the broader-- broadest possible range of people. We're having an internal conversation about equity defined as how do you make sure that everybody has the opportunity to live up to their full potential? I don't think that you ever get there completely in every organization. And it certainly won't all happen in my tenure. But if I move that ball forward even a little bit on behalf of this firm that has given me so much, then I will feel like I've done my job as defined as "leave the place better than you found it."

John Waldron: Horacio, I cannot thank you enough for spending the time with us. It was really terrific.

Horacio Rozanski: Thank you. Take care.

John Waldron: Okay. Bye, bye.

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