Growing and Diversity, Guidehouse-Style

Conversation with Guidehouse's CEO Scott McIntyre.

It's now been a year and a half since the familiar name in our industry of Navigant Consulting was retired from use when its merger with Guidehouse was completed. That merger in October of 2019 created a consultancy of over eight thousand employees in fifty offices globally.

After the first full year, post-merger, it published an extraordinarily transparent and detailed "2020 Environmental, Social, and Governance Report." PUF sat down with Guidehouse's CEO to go through this unique report and see where ESG fits in at this very large consulting firm. Check out below how fundamental the CEO, Scott McIntyre, feels ESG is for his company.

PUF's Steve Mitnick: What made you at Guidehouse decide to acquire Navigant?

Scott McIntyre: Guidehouse was established just three years ago, through the carve-out of PwC's public sector business. That was a big business. It was focused on management and technology consulting to government agencies in the federal, state, and local arenas.

Its primary emphasis was on national security, public health, infrastructure, and in the financial services and other regulators. While it was already scaled when we carved it out of PwC three years ago, it was one of the larger management consultancies serving government anywhere in the world. It was purely focused on the public sector.

About eighteen months ago, Guidehouse acquired Navigant, and in every way, shape, and form, that acquisition and the subsequent merger fully complemented our public sector legacy Guidehouse business. Our strategy was to complement what we were doing in the public sector with commercial skill sets, capabilities, and client knowledge.

The combined entity brought together each organization's relative expertise in highly regulated industries across both the commercial and government sectors, with a focus on supporting client needs in the industries of healthcare, financial services, energy, national security, state and local governments, and aerospace and defense. The transaction approximately doubled the scale of Guidehouse, which had generated a twenty percent-plus growth CAGR over the prior several years.

This is a unique and distinctive merger for a couple of related reasons. When we had the legacy public sector PwC business, we wanted to have not just a commercial business in terms of consulting, but we wanted an integrated commercial plus public sector business.

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We initially looked for smaller acquisitions where we would sort of do a string of pearls so that we would have our public sector energy and infrastructure business complemented by a commercial business.

This included energy, utilities, infrastructure, our financial services regulatory within banking, capital markets, financial services, public health with commercial health, our work with the FDA, and the life sciences capability of the commercial.

Last was our defense and national security work with aerospace and defense consulting on the commercial side. Ironically, and fortuitously, Navigant offered each one of those. We didn't have to back into the story.

We had those components of the public sector organically built over the past fourteen years or so at PwC at the time of the carve-out. Navigant, on a similar timeframe, had built the complementary business as we saw it.

It's a once-in-a-generation transaction, where you can literally pull the P&Ls of those industry groups together and merge them. That is exactly what we did in our energy, sustainability, and infrastructure (ES&I) segment, as well as for the other public and commercial businesses.

There's not another scaled consultancy anywhere in the world that has the two byproducts of this merger. The first byproduct is by definition. It's the largest consultancy in the world and it is equally weighted between commercial and government work. As it happens, they're interrelated.

Second, it's the only scaled consultancy that has the P&Ls merged. Many of our competitors have truly remarkable skills in both a given public and commercial side of an issue or an industry, and there's no doubt they have those skill sets and capabilities.

No one has merged the P&Ls in the single P&Ls, like a public and commercial health business. So, there's not a government way of doing things, the government mentality, pay scale, et cetera, and a commercial side that you want to work together occasionally. There is a single P&L with people who are fluidly moving between the regulator and the regulated.

Our first year or so together has proven to be incredibly

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important to our clients, and not surprisingly, rewarding to our people, who never want to be pigeonholed. They want to explore different things and new opportunities.

Today, we are a combined commercial and public consultancy platform, with over eight thousand colleagues in more than fifty locations globally to position us as one of the fastest growing consulting firms.

PUF: Navigant was a big player in our sector. When you started looking at Navigant, what did you tend to notice?

Scott McIntyre: Everything ties back to culture. That's even for things that don't appear, at first, to be culturally instigated. Some people think of culture as the soft stuff in between the gaps in an organization. It's the motivations, behaviors, or collaboration of the people.

Prior to Navigant, and subsequent to Navigant, as we looked at other transactions, we began legitimately with culture.

Shared values, similarly rewarding desired behaviors, focusing on quality, and having a passion for peoples' success were the things we had to have in a business partner; and that's exactly what we found in Navigant.

I don't remember the numbers anymore, but when we did the Navigant transaction, about eighteen months ago, I was able to stand up in front of the Navigant leadership, and without giving any specifics, articulate the number of transactions we'd already passed over.

These transactions looked good in other dimensions, and in some cases may have looked great. I'm not talking about two or three, I'm talking about north of twenty. Every single rejection was based on either culture alone, or culture plus something.

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I'm not persuaded that every organization's mission statement, or their encapsulation of their values, is authentic.

You'd have to be naive not to be cynical about how much they live those values, but it's a place to start. It's a thread to pull. We noticed, ironically, the verbiage that Navigant used to describe their values and ours, and their mission and ours were similar, right down to some of the words.

Again, without over-indexing on that as an artifact, it led us down a path of diligence, and we realized most of the Navigant leadership came from backgrounds similar to our own. Jan Vrins, ES&I's segment leader, and I had previously worked together. We were partners at KPMG.

Without a doubt, it started with that guarded optimism that these two cultures might be able to come together without a lot of friction, that would otherwise characterize the transaction. That was first and foremost.

Without making it too quantitative, more than half of the decision was about whether these people, all of us, could get together in the same room and architect the future by creating a vision and an org chart that we all agreed on.

When I someday reflect back on this, it will be notable that we literally solidified the mission of the combined organization and the vision in a matter of days. That included all of the machinations of going out to focus groups within the organization to get feedback.

It was also to lead the organization into the thinking we use for the kind of value-based organization we want to be. That's remarkably quick integration, in terms of culture and values. That was the first of three items with Navigant.

The second was the affirmation of the complementary nature of both businesses. This was a billion and a half dollar plus transaction. I don't know of another scale partner we could have merged with who would offer us scale in the complementary government areas we had, and nothing more.

We didn't want a commercial health business to complement our deep public health business, plus, work with retailers. That's not synergistic. They offered us what we wanted, nothing more, nothing less. That also helped with the cultural integration.

The third and final thing was, we noticed that Navigant, much like our own public sector business, could seem to display throughout their years of growth an extraordinary commitment to excellence in the industries they served.

That was in terms of discipline, in not going beyond what they do well. It was the companies within those industries that they want to see succeed.

We got into it because we felt strongly that's how you ensure quality, and it's how you ensure your people are going to grow and grow in an industry lane where they can become experts over time.

We won the Malcolm Baldrige National Quality Award a few years ago. We have rigorous, unwavering commitment to quality, and we're very focused on it. Those are the three reasons.

PUF: Talk about your passion for consulting.

Scott McIntyre: I started in industry like many consultants. But after three or four years in the defense electronics industry, I came into consulting, and then spent the rest of my career in that capacity. Even today I will occasionally weigh in on some matters involving clients, typically around quality of process improvement.

That's not always the norm. It's fair to say Guidehouse has led in a client first manner, because our entire C-suite, in addition to all the business unit leaders, like Jan, are consultants.

It's fair to say, look, if you're going to be in any industry, it's important to come up through that industry. Come up, and understand not just the economics, but understand the client and staff needs. Understand, in our case, and in professional services anywhere, grooming and developing people's skill sets and capabilities are as important as anything else we do.

You get that in a deep sense by having done the work yourself. I love the business of consulting. One of the great things is it's one of those industries, one of those professions, where you can help people. It's not the only reason to be in it, but when clients engage us, they've either got a tremendous opportunity or they've got a tremendous problem.

Either way, it's wonderful to be a part of their trusted team, even on a temporary basis for a project, and work with them in a collaborative way to see a result they're happy with. That's incredibly rewarding to me.

PUF: Guidehouse recently released a detailed ESG report. It showed transparency by gender, race, by different business units, and countries. Talk about why you decided to go as far as you could go?

Scott McIntyre: When we formed Guidehouse, we committed to a bold mission and a distinct role where we wanted to be a trailblazer for change – to solve big problems, build trust in society, and empower our clients to shape the future. We simply decided that if we were going to talk transparency as an organization, and we do, and a lot of companies do, then we were going to take measures to be more transparent.

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There are a lot of ways to claim success in that capacity. I'll begin with our own employees and extend that to our clients. They know authenticity when they see and hear it. It's fair to say that, whether it's communicating our financial results – and we're a privately held company – or publishing career paths for our people or taking on this transparency associated with the ESG report, they're authentic attempts to engage and retain our people.

We inspire them to do great work for our clients. We have a people-first culture that we're very proud of.

We thought publishing this report was consistent with that objective. It's not lost on any of us in leadership that the more transparent we are, the better we can become as a business and as a member of the communities that we operate in around the world.

The old adage is what gets measured gets improved. You could also say, if you wanted to extend that adage, what gets measured and then published probably gets improved faster, and with more discipline.

Publishing something like this, with as much sobering detail as we did, was done with a lot of thought and analysis. It was done with a lot of consideration to what it would mean to us in terms of prioritizing initiatives and holding ourselves accountable.

If there is a trend we expect, we want to be on the front end of it. If it's not a trend, then we remain differentiated. Either way, we owe it to our people to demonstrate the kind of culture that we espouse.

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Growing and Diversity

(Cont. from p. 31)

We talk a lot about mission and values. We don't necessarily use the word culture in that capacity, but it's all about the culture. Ultimately, what we hope for is a return to people recognizing the level of transparency that our competitors may not typically offer or may not offer for quite some time.

PUF: Is having a diverse consultancy good for business?

Scott McIntyre: It is good for business, and we know that our client base is diverse.

It's a struggle for the right talent. You have to explore not only different and diverse streams of talent and capabilities coming into the organization, but then you need to retain them.

When you look at the growth of our professionals, it is more diverse at lower levels. What does that tell us? It tells us some things, but not everything. But it does tell us, at a high level, there's got to be more initiative on retaining diversity.

That's key, as it helps you zero in. We often help clients solve their problems by leveraging machine learning and data analytics. One of the things we've turned that inward on, is figuring out, okay, if we have more diversity at more junior levels of the organization, why isn't it migrating to the more senior levels?

Is it because we train people really well, give them great skill sets, and then they get picked up by good competitors? If that's the question, with the fishbone diagram, I ask why? Or what can we do to countermand that?

As much as I've been exposed to this data, obviously, since we created Guidehouse, seeing it in publishable form, puts a different spotlight on it. Because now I'm reading it, but not just through the lens of the CEO. I'm reading it through the lens of anybody who downloads it anywhere in the world at any time. That's starting with our employees, our clients, and our competitors.

PUF: What do you think about our sector? What's the potential for Guidehouse to impact that sector?

Scott McIntyre: It's funny, I don't want to immediately ricochet back to defense, but since I have spent a lot of my career in the defense national security arena, it's interesting from a couple of perspectives.

Energy to me has always been at the forefront of national security. There's a big initiative across our defense department to look at different ways of creating renewable energy, and not just energy savings, but utilities privatization and the like.

That's not a recent initiative, but it's recently been stimulated in a lot of vectors, including with the change of administration. There's a lot of excitement on the government side of the equation, and on the defense of national security side of the equation, and there has been for quite some time.

We're going to see a lot of movement here in the future. The exposure I've had from Navigant, has been inspiring, because when I get exposed to what we're doing for our clients, particularly around renewables, I'm blown away.

As a citizen energy user, it's exciting to see some of the opportunities. That's not just for Guidehouse, of course, but for our clients and ultimately the end user to benefit. I'm excited, clearly, with what Navigant, now Guidehouse, can offer those clients. That's just in terms of quality improvement, program management, business, case analysis, and of course implementation.

At the end of the day, our competitors' reports can be great. They can even be readable and persuasive, but they have to be implemented. They have to be implemented in a way that adheres to the economics, and I don't just mean the dollars and cents economics.

There are a lot of business cases today that go well beyond traditional R&I and get into returns of different measures as well. Somebody has got to help clients with that, and we're proud to do that.

The more transparent we are, the better we can become as a business and as a member of the communities that we operate in around the world.

PUF: You acquired Navigant, now you are Guidehouse. You're a bigger force and brand, but where does Guidehouse go from here? Looking three to five years out, what's the future of an organization like this? Are you optimistic?

Scott McIntyre: I am, and perhaps in a way that may not be obvious. When we created Guidehouse three years ago, I will admit to you I was persuaded by my own vision of building a large ranked global consultancy, and to be one of the younger top ten next-generation consultancies in the world.

We've achieved that. I came to realize in the last year or so something that is very important for our business model. I don't mind sharing it because I don't think many of our competitors can replicate it. Far more important than scale, is a culture of collaboration.

If we had a global consultancy, it's the largest in the world, and it's ubiquitous, both in terms of brand and presence, and you have talent all over the world that carries that brand – if we can't collaborate where it adds value to the client in a distinctive way, where it's necessary to deliver on a client's issue, in a meaningful and impactful way, then the scale doesn't matter. The scale is just people, borrowers, and marketing, and it doesn't matter.

This doesn't exist, but you can almost envision the larger consultancy firms. We're among them, on a scale that also has a different axis that shows a lack of collaboration, high and low. You can almost envision big scale, low collaboration, as being a real problem.

We are seeking to build a scaled business that collaborates. When you asked me about the future, two years ago, I would have immediately gone to growth, and we've grown. A multi-billion-dollar consultancy is exciting, but today, I look at it, and I say growth is important, it's never going to be off the agenda.

But disciplined growth, whether that means doubling the size of the business in the timeframe that you've described, or maybe it means growing by twenty-five percent from that time period. More important is that we maintain this culture of collaboration. It is precisely what characterizes our success during this pandemic.

When you look at our financial results, it's a collaboration of sometimes logical, sometimes unexpected teammates coming together across the business. It's a way that many of our consultant competitors aren't set up to deliver on in a consistent basis.

My future vision for the business stems from continuing to scale it in a collaborative way. That cascades down into the culture that we want to have, which is heavily steeped in teamwork and collaboration. Ultimately, it's our clients' results that matter, and it's the collaborative nature of the business that gets your clients the solutions they need. A siloed mentality doesn't deliver much in professional services. PUF

Customer Solar and Storage

(Cont. from p. 43)

The CPUC believes this approach will decrease procurement risk, decrease interconnection delays, and work well with changing distribution system needs.

– Ed Smeloff

identify at least one deferral opportunity per utility for the Partnership Pilot. A budget for the pilot will be set at eighty-five percent of the estimated cost of the conventional utility solution for the deficiency.

Each utility will then convene an advisory group with broad participation to get advice on the chosen pilot including the budgeted amount and the amount of time to be allowed for subscribing sufficient participants. By November 15, each utility will file an advice letter with the CPUC that will define the projects, and lock in the budgets and the subscription period for enrolling participants.

The pilot for each utility will be launched by January 15, 2022. An initial evaluation of the pilot will be filed with the CPUC by August 15, 2022. The CPUC has said it is committed to making the pilot a success through a learning by doing approach where adaptation and experimentation will be encouraged over the five-year pilot period.

The DIDF process has been criticized as being slow, cumbersome, and favoring the status quo where utilities continue to build conventional infrastructure. However, with the growing proliferation of behind-the-meter batteries that have been installed to address concerns about resiliency, the Partnership Pilot may prove to be an effective way to use those batteries for the benefit of all electric ratepayers by deferring costly distribution system investments. There may be interest as well in using these behind-the-meter resources to address larger system reliability needs like the one that emerged last summer during the extreme heat wave.

The Partnership Pilot represents a new way of thinking about electric power resources that are located behind-the-meter. With the proper incentives, they can be used as community resources to improve the reliability of electric service and to save all customers money by deferring more expensive conventional infrastructure. PUF

Affordability of Household Electric Bills

The Census Bureau reports that for the two week period ending the first of March, 13.9% of all American adults over the age of eighteen are now finding it to be very difficult to pay household expenses. Including utility bills presumably. Another 18.5% of American adults are now finding it to be somewhat difficult to pay household expenses. Adding these two categories together, the household bills of nearly a third of American adults are very or somewhat difficult to pay. Better news on electric bill affordability comes from the Bureau of Economic Analysis. In January, residential electric bills were just 1.29% of Americans' personal consumption expenditures in total. That's lower than in January of 2018, when electricity was 1.40%, and lower than in January 2019, when electricity was 1.32%. However, it was higher than in January 2020, when electricity was at an all-time low, at 1.17%. This is a direct result of our pandemic world. From January 2020 to January 2021, Americans' personal consumption expenditures in total fell by 0.43%. But residential electric bills rose by as much as 9.46%.