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INNOVATION

A Decade Since Going Public, Booz Allen Hamilton Proves That Diversity Pays Dividends

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Ten years ago today, Booz Allen Hamilton, an IT consulting firm in the defense technology and government services industry, made its initial public offering after 34 years as a private company. At the time, it was making \$5.5 billion in annual revenue and traded at \$17. Today, the company's revenues stand at \$7.5 billion, 36% higher than a decade ago. And its stock has more than quadrupled in price to \$85. All this against a marketplace where the competition is fast and furious, including old standbys like Lockheed Martin as well as new, Silicon Valley-based companies like drone-focused Citadel Defense.

This success and growth trajectory is based on a philosophy of hiring the best from a diverse pool of talent. In a study of Booz Allen and its peers, investment advisory firm Jefferies found that it was by far the most diverse, with members of underrepresented groups comprising 73% of its board and leadership teams. Among its peers, that number is just 30%.

The company's philosophy toward hiring the best talent may be best personified by its own CEO, Horacio Rozanski, a Jewish, Latinx, Argentinian immigrant of Polish descent who first joined the company in 1991 as a summer intern. Over his 30 years at Booz Allen, he went from consultant to chief of personnel to finally arrive at the top position. Rozanski credits the company's focus on excellence for helping him get there.

The company provided the backdrop for Rozanski, now 52, to develop his leadership skills and empathy. He notes that in his home country, having grown up through Argentina's Dirty War, a period from 1976 until 1983 of a military dictatorship ruling Argentina that entailed state-sponsored terrorism inflicted upon its citizens, made him feel like an outsider. At work, on the other hand, he felt



BOOZ ALLEN HAMILTON

Booz Allen president and CEO Horacio Rozanski

like he belonged, and throwing himself into advancing his career was liberating.

"When I first joined my knowledge of English, this country or politics wasn't as good as it is now, but what mattered was 'Can you do the work?', 'Are you willing to work hard?,'" Rozanski says. "Booz Allen was as close to a meritocracy in my experience, people were looking to whether I could do the work or not, and that was good. It wasn't about who I knew, or even what I knew."

Throughout his tenure as CEO, Rozanski has had key business successes, such as executing a strategic growth plan dubbed Vision 2020 and shifting the company's focus from counterterrorism to cyberthreats. In that time, he's also worked to improve the company's culture. He was prioritizing hiring women in key positions long before "Me Too" brought women's issues in the workplace to the cultural forefront. Rozanski also founded a social-impact nonprofit, the Booz Allen Foundation in 2017.

"I've gotten to know Rozanski—he's revolutionized Booz Allen. He did several things to make the company more profitable, and he also heavily got Booz Allen into community

and philanthropic activities," David Rubenstein, founder of the Carlyle Group, which was the primary shareholder of Booz Allen from 2008 to 2016, told Forbes. "He's done quite well—we sold our shares when the stock was at about \$40 and it's now around \$80."

Pushing for a better and more diverse workforce is a passion for Rozanski, though he acknowledges it isn't easy. Of the company's nearly 30,000 employees, 31% identify as Black, indigenous or person of color. One barrier Rozanski highlights is that much of the work that the firm does requires employees to have a high-security clearance from the U.S. government.

"There's no one answer: It's doing better hiring, consciousness-raising and, I'd say, much more sensitivity to the issues that are being raised and previously existing. If you don't have a sensitivity to these issues and you don't care about them, that will come through pretty quickly," Rubenstein acknowledges.

Overcoming these challenges, however, has more than paid off for the company. For example, its share price performance over the past decade has been 350% better than that of Raytheon, which ranked lowest on Jefferies' measure of leadership diversity. The company also led the pack among its peers for revenue growth, says Jefferies analyst Sheila Kahyao-glu. "Some people might say it's pure coincidence, but those who have the best stock price performance also have more diverse management teams," she adds.

For Rozanski, though, diversity isn't just about the bottom line. It's about a commitment to people. He emphasized this point on an earnings call last quarter. "At Booz Allen, [when] we say that Black lives matter, we are not making a political statement," he said. "We are making a statement about our values."