

how to save the world



By Buzz McClain

Sudhakar Kesavan, CEO of ICF International, takes on energy, climate change and emergency management.

Long before the rest of the world went “green,” ICF International was busy helping its client get chlorofluorocarbons and halons out of the air, thereby stimulating the repair of the ever-expanding hole in the ozone layer. The ozone layer, if anyone needed reminding, filters out cancer-causing ultraviolet light from the sun. The strategy seems to have worked: CFCs are nearly entirely out of industry; recent reports indicate the hole in the ozone is slowly contracting.

The question is: Did a Fairfax-based consulting company save the world?

Sudhakar Kesavan laughs at the suggestion. It’s a quick, deflective laugh – no CEO of a consulting company wants to take complete credit for its clients’ accomplishments – but he adds, “With our clients, maybe we did. Our clients have to believe in us and have to think we can help them do it.”

Kesavan, 52, sits in his comfortably functional office on the 12th floor of one of twin buildings ICF occupies near the Vienna Metro station in Fairfax. He has a view of treetops and traffic, but one gets the impression he doesn’t spend much time staring at either.

He’s in a crisp shirt and subdued necktie, and his posture – straight back, eyes ahead – is indicative of the intensity that buzzes through the buildings.

As CEO and chairman of ICF International, Kesavan directs a 2,300-employee consulting firm – 900 of them local – that prides itself on a profitable social consciousness and a penchant for not simply coming up with successful policies and programs for clients, but also implementing them.

“We don’t just tell our clients what to do, but we do it for them,” Kesavan says. “Our roots are in advisory services, but if you can implement your advice you are much more credible with the client than if you just give them your advice and you take off.”

The only thing that has taken off with ICF is its bottom line. But mention valuation, market cap and stock price and Kesavan squirms a bit in his chair.

“I could say more when we were privately held,” he says, the fast flow of words now dialed down and measured. “I have to be careful about what I say about what we plan to do in the future, and in the terms of numerical estimates.”

He seems embarrassed. Perhaps it’s because his

company has enjoyed an increase in net income of 694 percent from March 2006 to March 2007 and a market cap of \$300 million. The stock price, which hit a low of \$11.66 in October 2006 a month after the IPO, now hovers in the low- to mid-\$20s and is considered by many analysts to be undervalued.

In the last few years ICF has risen to the top of such international hot areas as energy, climate change and emergency management, issues that are not going to go away any time soon. And now that the U.S. government knows it can count on the firm, other countries are calling.

“Our intent is to stay true to what we know, but then do it internationally too,” Kesavan says. “Our revenues from international (business) are obviously not as great as domestic, but I think we have a great footprint that we are now expanding.”

What sets ICF apart, say those who watch high-end consulting firms, is that willingness to do the work it recommends.

“If (the consulting strategy) gets implemented poorly by some implementation firm that doesn’t understand all the nuances of the advice,” you lose credibility, he says. “For us, it was a natural extension

of the advising services. If someone wants us to construct a building, obviously we wouldn’t do that; the implementation we do is program implementation or technology services implementation.”

And more often than not, as with the ozone project, which was conducted for the federal government, those programs and technology services often have a major impact beyond the obligations of the clients.

For instance, the Energy Star program. When was the last time you bought an appliance – a washing machine, a refrigerator – that wasn’t emblazoned with the stylized Energy Star sticker? Energy Star certification indicates the machine has met U.S. Environmental Protection Agency and U.S. Department of Energy standards for low energy consumption and emissions. The energy saved by the program in 2006, says the Energy Star Web site, was enough to “avoid greenhouse gas emissions equivalent to those from 25 million cars – all while saving (consumers) \$14 billion on their utility bills.”

The Energy Star program was created and implemented by ICF for the EPA.

“We designed the program in the early 1990s as a small assignment, a few million dollars,” Kesavan says. “We have since been implementing it for the last 10 or 12 years. So from a revenue stream point of view, it’s been an extensive revenue stream for 14 or 15 years, which we wouldn’t have had if we didn’t do the implementation.”

ICF took the “small assignment” “even though the policy framework (at the time) was not encouraging energy efficiency,” Kesavan says. “But now it’s back. As you can see, everyone is talking about climate and energy efficiency and clean technologies. We’re in fashion again.”

Not that it matters to Kesavan.

“Which is why I like ICF,” he says. “We always work on issues we think make a difference. Sometimes the (contemporary) policy process acknowledges that, sometimes it doesn’t, but for us, there’s a certain long-term commitment to work on these issues whether they’re fashionable or not.”

The campaign to reduce the chlorofluorocarbons and halons that were proven to be depleting the ozone layer was one of the first global attempts to change the way industry around the world operates.



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ICF, working with client agency the EPA, managed to align the efforts of the countries participating in the 1987 Montreal Protocol, the treaty that required the phasing out of the ozone-depleting culprits.

ICF "worked with the EPA to try to come up with strategies to reduce the emissions of these (chemicals)," Kesavan says. It wasn't going to be easy: Chlorofluorocarbons – CFCs – "are used in air conditioning and a whole bunch of other equipment," he says; halons are used in large-scale fire suppressant systems. To get the chemicals out of the air would require policies and policy enforcement that would cost private industry millions, if not billions, worldwide.

"We worked on industrial strategies with the EPA to reduce the chemicals," Kesavan says, "and then with the United Nation's environment program, and then with that experience (we worked) with a whole bunch of countries which were trying to phase out" the chemicals.

And now?

"And now most of the stuff has been taken out of the system," Kesavan says. For example, "your automobile's air conditioning does not have the old CFCs; it has the substitutes now, which are less ozone depleting."

Kesavan says ICF specializes in "environment, energy and health and human services issues," and as such, "I think that requires people to find them interesting, and only those with a social conscience will be interested in those.

"People have joined us, I think, because of the issues we work on."

implementing a program

One such issue that generated headlines was the devastation of the city of New Orleans and the tragic aftermath of hurricanes Katrina and Rita. The federal government allotted the state of Louisiana \$10 billion to rebuild homes and businesses – and lives. But how to disburse such a huge sum in a region still reeling in chaos from the devastation?

Once ICF was awarded the contract, it sent top management to New Orleans and, in effect, constructed a new 2,000-employee company from the ground up.

"We've had a housing practice for many years, which has worked on how the Department of (Housing and) Urban Development gives what are called community development block grants, programs that distribute monies throughout communities and states nationwide," Kesavan says.

"We had initially worked with them to train people to use those monies, so when the feds decided to give the state of Louisiana \$10 billion for the purposes of compensating the victims of hurricanes Katrina and Rita, we saw that we have great understanding of CDBG grants."

Knowing how to distribute money is one thing, but creating the on-site infrastructure to actually do it was another.

"We also do IT program implementation," Kesavan points out, "so given that we have all these skill sets associated with implementing a program such as this, we bid on it."

ICF executives and managers were relocated to Louisiana from their offices in Northern Virginia for weeks and months where they saw the rebuilding

efforts first hand – but not until June of 2006 (Katrina made landfall on Aug. 28, 2005). "That's how long it took the state to get the money," Kesavan says.

With subcontractors and other team members, ICF implemented a program "designed by the state of Louisiana and the Louisiana Recovery Authority," he says. "They established the policies; all we're doing is implementing the policies. And now we are in the process of disbursing these grants to the homeowners."

It hasn't been easy, not for the homeowners, the federal and state agencies or ICF. Still, Kesavan says, "We believe it's going quite well. We had to set up the infrastructure; we've only been disbursing the monies since November of '06 – a year and three months after the storm. We've disbursed over 35,000 grants in the last six or seven months, starting from zero. Over \$2.5 billion is out there now. We're disbursing thousands of grants a month. It's a very complicated program and we're trying to do it as quickly as we can. There have been people waiting since August of '05 who are not happy, there's a lot of pent up anger, which is understandable, and it's directed at us once in a while."

Still, Kesavan expects the contract to be filled – and the \$10 billion to be disbursed – ahead of the contracted deadline.

Of his staff's commitment, Kesavan simply says, "I think a lot of folks were very keen on doing their bit to help the victims there."

engineering a business

Sudhakar Kesavan's first job after graduating from the Institute of Technology in his native India, where he studied engineering, and then getting a graduate degree in business, was with a company that turned around troubled companies. "It was interesting work," he says of his two and half years there. It was an experience that would pay off later.

His unique combination of skills – engineering and business – landed him a job with a chemical manufacturer where he was market development officer. "Basically, I was coming up with different ways of using chemicals to make cables and bottles," he says.

His ambitions lead him to America, specifically the Massachusetts Institute of Technology and to a degree in technology policy, where he learned how to "educate folks who are engineers on the policy issues associated with technology," he says.

"Engineers traditionally feel this should be pretty obvious – this is the technology, this is how you should use it," he says. "But there is a gap between making sure they communicate that (use) to the policy makers, how these things will be beneficial. Otherwise the message tends to get lost and they get the wrong ideas."

This education and experience – trained as a chemical engineer and a corporate businessman, and then schooled in the art of bridging the two – has paid off during his career at ICF, the only firm he's ever worked for in the United States.

"When I immigrated in 1982, I had no intention of staying," he says. "I thought I'd go to MIT, see America and go back. But then I got hired by ICF when they came to the campus."

Wait: The eventual CEO and chairman was recruited at a job recruitment fair?

"Yes," he says, grinning at the memory. "My first job was entry level, an associate. And then I thought I

might work for a year or two to see what it's like to work in America."

ICF International began in 1969 as a venture capital firm called the Inner City Fund, but by the time Kesavan landed there in 1983, it had been a small consulting business for about a decade. ICF had 130 employees and it slowly grew throughout the 1980s before acquiring Henry J. Kaiser's engineering company, Kaiser Engineers, in 1988. The consulting, engineering and construction company went public in 1989.

But there were problems. The smaller consulting division, with Kesavan as president since 1996, was doing well, but the engineering side often questioned its activities and limited its opportunities. In 1999, the consulting sector bought itself from the company and in a short while began acquiring complimentary companies. In 2006, ICF Consulting became ICF International and went public, trading on the NASDAQ as ICFI.

are you prepared?

The scope of the company, besides saving the world from ozone depletion and re-establishing New Orleans, includes "human capital issues within the federal government," Kesavan says. "Social programs associated with victims of crimes, the aging work force.

"We do a lot of work with homeland security," he says. "We got into it over 25 years ago working on emergency response to oil spills. All the skill sets necessary to respond to terrorist attacks or to natural disasters comes out of the question, 'Are you prepared?'"

In the 1980s ICF worked with the Federal Emergency Management Agency responding to communities involved in nuclear accidents. "All that became part of Homeland Security post-9/11. We have a lot of history working on preparedness issues; we are quite proud to be working on these issues associated with critical infrastructure protection."

The list goes on: Bio-fuels in Brazil. Reduction of carbon footprints in the United Kingdom. Developing models for China, India, South Korea, Brazil and 32 European countries for modernizing their energy sectors. Homeland security issues in Europe. Dealing with Russia's energy surplus.

"China is building two power plants a week, so that's a huge amount of energy coming on line," Kesavan says, perking up at the thought. "That's a lot of activities, a lot of energy and a lot of emissions. This sort of all-of-one holistic model: When you study the energy industry you pretty much have to do the emissions."

And as it happens, "the world is moving toward a situation where (it) wants to cap the emissions and reduce them."

And ICF International is fashionable. Again.



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