

Christine Dobbyn:

Today on owl have you know...

Rob Gaudette:

The pandemic and the way that corporate America and the government responded to the pandemic fast-forwarded the technology advances of the workplace of the future by probably 10 years. And we did it because we had to.

Christine Dobbyn:

From Katy, Texas to the East coast for school, then onto the army, all before going to Rice Business. Rob Gaudette, a senior VP at NRG Energy talks about what he's learned about leadership along the way, how he unplugs and finds family time with the demanding job, and he answers the question, will Houston remain the energy capital of the world? Rob, thank you so much for joining us.

Rob Gaudette:

Thank you for having me, Christine. I appreciate it.

Christine Dobbyn:

I want to go back to, I know you're a Texan now, but have you been a Texan forever? I see you went to William and Mary undergrad. Talk a little bit about your venture and how you became a Texan.

Rob Gaudette:

William and Mary kind of throws people off. I'm actually from here, I'm from Houston. Actually, am from Katy. My wife is from Katy. I was born in St. Joseph's hospital and then grew up out in Katy, Texas. I ended up going to William and Mary in Virginia. I got a bachelor of science in chemistry at William and Mary. And to go there as a guy from the Rice farms of Katy, I went on an ROTC scholarship. Given the scholarship, I had my first job kind of lined up when I got out, and that ended up putting me in the military.

Christine Dobbyn:

Sure you've seen some changes in Houston from leaving to go to college and then coming back.

Rob Gaudette:

It's incredible. The difference that I saw just from college through four years in the military and then back for business school. So, it was only a six year gap. There was a change. And then we moved away, went to Atlanta for 10 years after Rice. And the change that happened after that was logarithmic, comparatively. And so, when we moved back from Atlanta to Houston and the company that we were stemming up, some of my employees were asking about, "Where should I live? And have you heard of this area?" And we find it on the map and I'd be like, "Well, I'm sure it's a really nice neighborhood. That was a rice field when I was there. So, I really have no idea what that neighborhood's like. I know it used to have rice in it." So yeah, lots of changes all for the better. And the city's more diverse. It's got more interesting industry. It's very different these days.

Christine Dobbyn:

You mentioned you were in the US army, a combat engineer officer, and a platoon leader. How did that really shape you as a leader and what really drew you to the army to begin with?

Rob Gaudette:

So, the military was an opportunity for me to go to William and Mary. It helped pay for school. The ability to serve my country and get a college I couldn't afford was a big a winner for me. And at the time that was the transaction. Go serve four years and get college paid for, which was great. What I didn't know then, and what I am so appreciative of now is that, four years in the army as an officer was like a PhD in leadership, not to knock people with PhDs, but it was incredible. And I learned a lot about leadership and dealing with people. I had incredible non-commissioned officers, enlisted personnel with 20 years of experience, teaching this kid who's 22 how to lead people, how to be in front of troops, how to get stuff done.

And the gratitude that I have for those NCOs, non-commissioned officers, I couldn't explain in a podcast, it's beyond words what they transferred to me. And I'm so grateful for that opportunity. And it opened something up that helped me kind of through business school, but as much more helpful in my career is, in the army, you don't motivate people with money. There's this thing that gets thrown around here, that people do what you pay them to do. In the military, that's not true. You don't throw people bonuses to go charge a hill. I'd seriously doubt that you'd have any takers. "Who'd go for 5,000?" That's not how it works. It comes down to leadership and being on a team and being committed to the soldiers that are to your right and left, and learning that and seeing that. You learn a lot about how people work and then you set the bar for what leaders should be.

I had that as a kind of background story on what I had learned leadership was. And then in the first half of my career, I evaluated my management teams and leadership teams based on that. And then in the second half of my career, I'd aspire to be that. And leaders eat last and they make sure that their people are taken care of and they make sure that they're empowered to get stuff done. And if there's a takeaway from the military, it's that experience and you can't pay to get that. You can't learn that from a book. I started it as a transaction for time and it turned out being probably one of the best decisions in my life.

Christine Dobbyn:

You went on to Rice Business. Was that always sort of part of the plan from the time you left Katy initially, or when did that come about?

Rob Gaudette:

I thought that, when I was in Katy, when I was in high school, I had aspirations of going and doing something in business. I really thought about the military. When I got into the military, I really started to understand what it was about. I really struggled just to figure out whether or not I wanted to leave. I really did enjoy my time in the army and in the curve. And so, making the decision to leave was actually tougher for me than making the decision to go to Rice. I grew up in Houston, I knew Rice. I had done some homework on the Jones school that was up and coming. It's hard to believe that it was up and coming 20 something years ago. Small classes, great teaching, all of those things, the decision to go to Rice was easy.

The tough part for me was just the decision, do I leave the military? And president Clinton was the commander in chief and they were shrinking the military. And so, I started thinking to myself, well, this is going to become less and less of a thing. I think I'm going to try to do something else. So, I took the GMAT and went to business school and I graduated in May 2001 about four months before the

world turned upside down. And the military became such a huge and important part of our country and what's going on. And the people who served, who put boots on after me, the people who have done for the last 20 years, we all kind of owe them a huge debt because my experiences, I got to learn a lot, I got to see a lot, don't even pale in comparison to what some of the people that I've hired over the years who've been through what we've gone through.

Christine Dobbyn:

Yeah, in different time, yes.

Rob Gaudette:

Absolutely.

Christine Dobbyn:

You talk about the Jones school being up and coming at the time. And I believe I saw you were involved in the Wright investment fund while you were on campus. And I know that, that has grown to be quite an experience for all of the students. Can you talk about what it was like when you were a part of it and why you wanted to be involved?

Rob Gaudette:

Sure. So, the Wright investment fund at the time was about 25 people, I think. I think we had less than a million dollars in capital or yeah, it wasn't a lot, whatever it was. And we had the traditional holdings at the time, the big industrials, the ExxonMobil's of the world, we had a little bit of tech because this was 2000 and we held a stock called Enron and it was a performer, it did incredibly well. The reason why I wanted to go do it is, I always thought that portfolio management, so through my classes, portfolio management seemed really interesting, getting onto the side of putting money at risk seemed very interesting. The Wright fund seemed like a useful avenue to go test that out. When I got there, I didn't realize that I was an analyst.

And so, I learned two things at the Wright fund, two really big things. I made great friends, but two big takeaways. The first one which was important for the beginning of my career was what it felt like to actually put on a position where you're taking a risk. I'm going to buy X and that's putting money at risk, is it going to go up or down? and learning what it's like to make money, and more importantly, learning what it's like to lose money, was in a small scale in a college environment was very helpful and it actually got me ready or at least kind of laid the groundwork for 10 years of trading commodities. So, the numbers were bigger and you lost a lot more money and made a lot more money trading natural gas and crude oil, but that first time was with the Wright fund. And so, it was really interesting.

Christine Dobbyn:

And I would imagine for a lot of students who take part in that program, it's also the first time they're taking on risk for someone else as opposed to maybe their personal money, which is completely different.

Rob Gaudette:

Yes. Yeah, so using somebody else's money and using it for a higher cause right at the time, I didn't have any money anyway. So it was pretty straightforward for me, but for the Wright fund, if you're making money, you're ultimately driving us to get to a point where we could fund scholarships or we

could make a difference and if you make a bad decision, will you take that worthy goal and put it backwards? And so, having a feeling or a sense of this is a job, or this is a professional role, as opposed to this is gambling and I can lose x, well, you can't lose any, if you're trying to really make something happen for someone else. And so, translate what you will learn there at the Wright fund to then trading on behalf of a company or a fund or whoever, it was really good experience. And it provides an interesting dynamic and honestly, it lets people figure out rather quickly whether or not it's for them or not.

Christine Dobbyn:

As you look back at your time at Rice and when you were leaving, did you see yourself in the energy sector?

Rob Gaudette:

So, I fell in love with the energy sector at birth like every other Houstonian. We're required to love energy. Seriously, when I was looking at undergrad, so when I was in high school in Katy, in the late eighties, there's no way you'd go anywhere near energy. It was too scary, there's too many problems that had occurred over the decade before that when I was a kid, and going off to school and in the military, I hadn't really even thought about it. The only thing in the news was tech. So, you either went consulting or you went to a bank, or you went into tech, that was kind of, you read the wall street journal, that's where you went.

I got to Rice and got to meet and see some of the companies that work in the city. And I decided some day I want to run or I want to be a big part of an energy company. And that was probably first semester of first year. And from there on, that was kind of the fix. The only thing I was looking at other than pure energy companies was pure investment banks for energy companies, the independent power producers and merchant energy was just taking off. So, it was a real opportunity and really good timing.

Christine Dobbyn:

What are some of the things you find, I guess, the most satisfying in your current role?

Rob Gaudette:

So, the thing that gets me out of bed every day is the people that I work with. And it has done that for a really long time. Building teams, leading teams, helping other people build and lead teams. That's fun. That's a dynamic that never stops. It's something that becomes more important every day. That's the great part about it. You'll never be the best leader that you can be, but you can just keep working at it. And that's the part that makes me most excited to go to work every day.

Christine Dobbyn:

You've worked with quite a breadth of stakeholders in your career from customers to regulators, elected officials, corporate boards, investors, what kind of advice would you give people who are going to follow in your footsteps and how do you form those relationships with the various stakeholders and make it all work together?

Rob Gaudette:

So I would start with, there is not a prioritization of stakeholders that you should use. We went for a long period of time where the only stakeholder that mattered was the shareholder. And thankfully, the

corporate America's kind of figured out that, that expands beyond that, to the communities you're in, your employees, your customers, your local governments. If you think about what the end goal is for your customer and start there, everything else kind of falls into place. This message works for shareholders, governments, and customers.

My business will thrive where communities thrive, communities will thrive where my customers thrive. So all I need to do is make sure my customers thrive. And so, you see you end up really aligned really quickly. So we stick to, how do you make sure that your set of customers or whoever it is that you're working with to solve a problem, how do you help them thrive in what they do? And that's what I get to do every day. That's worked for 20 years. So, I'm going to stick with that probably through the rest of my career.

Christine Dobbyn:

And when you talk about the thriving customer, how has the modern energy consumer changed from maybe a decade ago?

Rob Gaudette:

20 years ago we ended up with choice, so people can choose who provided their energy to them. And here in Houston, you can choose your electricity provider. In some states, you can choose your gas provider, and in some states you can choose both. For business customers, that initially led to a product development for the customer that fit kind of their needs and was more economic, it managed the risks they wanted, it was better for the customer.

So fast forward to your question, 10 years later. So now we're 2010. You start to see the advent of affordable renewables, you start to see technology and technology prices dropping in such a way that it's actually usable. And then you start to see people adopt it. The biggest companies, the big name tech firms that anybody would name, they start adopting those technologies. That drives the price down even further. And now you fast forward to today, we've got renewables that are more economic than traditional power. We have metering. So the ability to know how a business uses power and to use data analytics to figure out what that means, and then ultimately craft a product or a structured deal for a customer that benefits them in exactly the ways they want. It reduces their costs, or it takes away their risks, or it gives them an opportunity to monetize, optionality they have in their own portfolio, all of that stuff you couldn't do 10 years ago. And most of that stuff wouldn't be economic 10 years ago.

And the future, so if you fast forward another 10, we're going to continue to see innovation along the way. You're going to see products or technology things get cheaper and become more progressive and more developed. And then you're going to see guys like me who work hard to figure out how to commercialize those things and turn them into services or opportunities for our customers to actually benefit from them [inaudible 00:17:33] thing doesn't do anything unless you figure out how it helps the business. And so, the last 10 years have been exciting, the next 10 years, I think are going to be equally exciting.

Christine Dobbyn:

How has COVID changed for the consumer, but also for your role in your company? What are some of the changes you guys have experienced in the last what? 10 months or so.

Rob Gaudette:

At the highest level around energy, it's obviously driven usage to homes, and out of buildings. People like me are working from home most of the time. And so from a big, broad, brush perspective, you see a

slight uptake in usage out of residences, and you see a downdraft in commercial and industrial customers. What we've also seen though is manufacturing and production facilities still going. And major sectors of the economy are still functioning at the levels that they have before. Places that haven't quite woken up or started their same usage are [inaudible 00:18:37] Like schools. Schools are still in a weird or remote kind of hybrid situation.

So from a demand perspective, it's kind of move stuff around. What's more interesting, I believe, is that the pandemic and the way that corporate America and the government responded to the pandemic, fast-forwarded the technology advances of the workplace of the future by probably 10 years if not more. And we did it because we had to. Mid March for here in Houston, that was kind of the line. Everybody went home and businesses still had to function. And I was a guy that had staff meetings in person, and I was always more comfortable, you think back to the military, standing up in front of people and having a conversation, and understanding and empathizing after actually interacting with someone.

On March 15th ish that went to zero. And everybody locked in their house and we all tried to figure out what Zoom was. And now we have virtual happy hours and we have daily calls, and we have all kinds of meetings that the productivity of the employee base has actually gone up. People are more connected than they've ever been, and in a good way, not in a stare at your phone and wait for the next text message. It's having real conversations where you can actually see the person's face. And what that's done is, that has helped people like me overcome the concept of, you got to be in your seat to be at work and move forward to the workplace of the future, which is, you have an employee in wherever, Hawaii, doing work that's not going to spend with rest of the team, other people have done that. But what the pandemic did is take, what? Very few companies had embraced and made it mainstream. And I think that's a good thing.

Christine Dobbyn:

I think we'll definitely be looking upon this time, 10 years down the road as a major turning point. And we probably don't even know all of the implications until we can kind of see it in the rear view mirror.

Rob Gaudette:

I agree. And on so many fronts. I think the business community has figured out that there are risks out there that we probably didn't think about from a pandemic perspective. Everybody thought about pandemics nobody thought about shutting down the country for a period of time, and we've all kind of worked through it. And I think that in general, corporate America has done a decent job of trying to empower their employees and get things working. I'm very proud of what we've done at NRG. My team, the entire team works from home right now, and we have been since March. And I absolutely miss breaking bread with them, but I've seen their faces. I actually see more people's faces now than I did before.

So, I think that as we look forward in time and you look forward to when we're looking back, we're going to learn that we should embrace technology, we're going to learn that there are ways to supplement kind of remote workplaces and finding talent in places that aren't necessarily in a downtown setting. And we're going to find ways to continue to build tools for our employees so that we can do this effectively. Thank goodness that things like video conferencing, somebody believed in them 10 years ago because they invested in them, because if we didn't, the last eight months of my life or nine months of my life would have been very, very different.

Christine Dobbyn:

Right. We can all wish we would have bought Zoom stock a while back.

Rob Gaudette:

Yes [inaudible 00:22:42] Time machine moments to go back and do that.

Christine Dobbyn:

You've mentioned renewable energy a little bit, but there's a tremendous focus on that in our country right now, where do you see it going from an industry perspective and also at NRG?

Rob Gaudette:

So, renewable energy is going to be a major part of the future, full stop, there's no question about it. It's economic, it makes absolute sense in the markets. And so, there's really no financial argument against renewables. And then it's also pretty important to understand and think about what the customer wants. And that goes from homeowner like me all the way up to the biggest corporations. People want to reduce their carbon footprint. They want to do something about climate change. And so, decarbonization is a big part of the future dynamics around energy. And we, as an industry have to figure out how to deliver that. So, people want to do business with companies that are doing something about that. And that creates an opportunity for me and for NRG in that, we worked really hard around building a portfolio for renewables.

We do it through contracts. We used to do it through building them, but we have ways and we're continuing to push ways to democratize renewable energy. And if you go back five years or 10 years, the way to do a renewable energy purchase was through what we call a PPA, which is a 300 page document. Lots of legal fees, and you got to be pretty big from a corporate size to get that done. Well, we created a product two years ago called renewable select, which now enables small and mid-size businesses and even large businesses to get that same capability and inspire that same renewable development, but they do it on a 10 page retail contract. We do all the big hard work, and then we make it user-friendly for lack of a better word to allow these customers to take advantage of that.

And I thought it was going to be an interesting side product, not really the primary way of what we got done and the demand for that product and the success that we've had around it has been kind of mind boggling, which just drives me to do more, and to figure out other ways to get that done. At NRG, my boss, Mauricio, embraced that multiple years ago, has made sustainability a key part of the company from the time he started as a CEO. And that helps, that drives, that empowers people, that helps our guys align with something they believe in and ultimately helps us align with our customers as we get that done.

When I think about the future as an industry, storage is probably the next real interesting component of this clean energy future. Storage has the same kind of properties or potential as PV, photovoltaic solar power, in that prices are coming down dramatically, technology is getting better quickly, it's going to be economic soon, and that's going to be a game changer for the industry because now we can take advantage of the wind and the same power and energy that isn't necessarily needed like that. The most wind in Texas is at night, the lowest electricity usage is at night. So those things don't match. Give me a good battery, and all of a sudden it's really helpful.

Solar is better in that, peak solar happens to be peak demand. So it kind of works out, it's coincident. The other piece of battery that is useful for the industry is that it provides some semblance of reliability. There's always the argument, the sun doesn't shine, the wind doesn't blow, what you do then? Well, if you have a portfolio of batteries, you can smooth out those kinds of rough edges. And as you continue to transition the industry to a cleaner and cleaner kind of fleet over time. And I happen to

live in a city that is the energy capital of the world. And I hope that we continue to work hard to maintain that as we move from the energy environment that we have today to 2.0.

Christine Dobbyn:

That's a great segue. That was actually my next question. When we talk about energy, it's so broad and some segments have been particularly hit hard by the pandemic. And that was going to be my question. Do you believe that Houston will remain the energy capital of the world?

Rob Gaudette:

When you think about what makes the energy capital what it is, the energy capital, it comes down to, just like any good business, people. And for energy, you have to have incredibly smart engineering capability and that same level of expertise and borderline genius that comes up with the technologies used for down-hole tools in fracking operations. That same level of ingenuity and expertise are the guys who are going to figure out the next solar or the next wind, or the next battery, or the next, whatever it takes. So you've got this need for incredible engineering capability, check, Houston's got that. The next piece is you have to have this commercial mindset, the ability to think about how you take that expertise. How do you turn that into business opportunities, business ventures, and ultimately products so that you can get it out to the world?

We've got that too. That's what we do in Houston. And we've been doing it for a long time. And then the last piece is, with anybody that wants to be the leader in an industry or own a space, you got to have a little bit of attitude and a lot of gumption, and we are not short of that either. We are the energy capital of the world and you're going to have to come and take it from us. I think that's kind of the three kind of components that I truly do believe that Houston will lead.

Christine Dobbyn:

I know you're a very busy man in your role, but it's not all work. I know you find some time for balance and you have a couple of daughters and you talk a little bit about your sort of relaxation places, Colorado. You'll be heading there soon. What are some of your secrets or advice you would give someone with the demanding career in balance and how you're able to find Colorado sort of as your getaway spot?

Rob Gaudette:

Balance is a tough term. Maybe having them co-exist is probably the best thing. I'm not going to try to say that I had this ever figured out, but I have a 17 year old daughter and I have a 13 year old daughter. And pre pandemic it started to dawn on me that, that 17 year old is going to leave and she's going to go to college and she's going to go like me. She's not going to come home for 20 years. That time with her is sacred. And then I saw it again with my 13 year old. And I was watching kind of time with the kids disappear.

And once you think that through and you understand, or at least have comprehended what that means, all of a sudden, some choices have to be made. You have to decide, do you really need to go on that trip? Or do you really have to go see that customer? Or can one of the three people who actually cover the customer, going to do that? So making choices there and it's gotten easier now, but it's something that I wish I probably did better a little bit earlier in my career. Now it's all about how do I make sure that I can do my job well, but also ensure that I can help with AP chem, which is what I will be doing this afternoon, which is very exciting because my daughter is extremely disappointed in the fact that I am a chemistry major and I'm not helpful, apparently.

Christine Dobbyn:

Things have changed probably a little.

Rob Gaudette:

A little bit. The periodic table was written on a stone tablet back when I was studying it, but the other piece and the one that's been most helpful for me in clearing kind of my mind space is, we go to Southwest Colorado as much as we possibly can. And so, my happy place is on top of a ski mountain where cell phone service doesn't work and spend a little bit of time pushing the limits and remembering that clean air and catching your breath and being scared every once in a while isn't a bad thing. And that helps reset.

And honestly, I can tell the difference at work after one of those trips versus before it, to the point that it's important to me that my people go out and do something, go turn your phone off please, go take a break. Stare at the ocean that works, go to the top of a mountain that works, do something so that you can recharge because people can't be on every day, all day.

Christine Dobbyn:

So as you look back on your Rice experience and how it helped you get to where you are today, can you sort of sum up some reflections and maybe give some advice to those who may want to follow in your footsteps, whether Rice Business, or maybe following into similar career path that you have taken?

Rob Gaudette:

The thing I would tell you about business, let's start with business school and then we talked about career path. I get this question a lot from employees. What did you get when you went to business school? What's the point? Why did you go? And what did you learn? And what's the return on that investment? And if you can't answer the question and it makes sense the way I do then I'm not sure why you would go. The answer is, is you get to know people, you get to understand technical things. When I was a chemistry major I didn't know the ins and outs of accounting or finance, but it turns out that, that stuff's math. I understand math, but that's not what I learned. What I learned was how industry works, what people do. I've met great friends.

I have a Rice alumni, a classmate of mine who lives eight houses away from me around the corner. The first 10 years of my career, I worked with a couple of people from Rice. Some that went school with me, some that went before me, but I would also tell you that it's not just your classmates, it's the faculty. At least at Rice, the faculty are an incredible attribute. It's part, you pay your tuition, but you walk away with a Rolodex of people that really want to see you succeed. The first 10 years of my life off and on, I was on the trading floor. I literally, no kidding, had on speed dial my futures and options professor and my risk management and finance professor on my phone.

And being able to reach out to people who can step out of the fray of whatever I'm trying to do and think about it, and actually one helped me was an incredible part of the experience. And so, if you want to go to business school to check a box so that you can go do something else, well, then there're other things you could do on the web or whatever that doesn't involve business school. If you really want to expand your network and open your mind and develop friends and acquaintances and colleagues that will affect your career forever, then take the time off and go to business school and do it for real. That was a great decision and it worked out obviously for me.

Christine Dobbyn:

Rob Gaudette we thank you so much for joining us on owl have you know.

Rob Gaudette:

Thank you for having me. Have a great day.

David Droogleever:

This has been owl have you know, thanks for listening. You can find links and more information about our guests, hosts and announcements on our website, business.rice.edu. Please subscribe to this podcast wherever you find your favorite podcasts and leave us a comment while you're at it, and let us know what you think. Owl have you know is a production of Rice Business and is sponsored by the Rice Business alumni board. The hosts of owl have you know are myself, David Droogleever and Christine Dobbyn.