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BLACKWELL CONSULTING SERVICES

In late 1991, as Bob Blackwell approached IBM's mandatory retirement age of sixty, he did something unusual for a senior manager at Big Blue – he took early retirement and started an IT consulting firm, Blackwell Consulting Services (BCS). Bob started the company with the vision of building an organization with \$100 million in revenues. By the end of 2003, the firm's annual revenues had steadily increased to \$31 million.

Bob had no intentions of selling the company. During the company's first twelve years of operations, he also did not put in place a senior leadership team that could execute his vision after he "stepped down." By 2003, several factors made the decision to choose a successor an urgent and important one. At sixty-seven years old, Bob had already successfully battled prostate cancer and currently suffered from diabetes and hypertension. Most of Blackwell's employees and customers wondered who would lead the company if something happened to Bob. His two minority partners also constantly pressured him to work with them to choose a successor.

The decision to choose a successor was not an easy one. Bob needed to re-position the company from a "Bob-centric" organization to an organization that had several branded practices (areas of expertise) and was more focused on following processes and procedures. Bob had two options for a successor – his daughter, Pamela, who had learned the consulting business while managing several support functions at Blackwell, or an unknown outsider who he yet had to find.

As Bob confronted the succession issue, his two partners became increasingly unhappy. They felt that Bob no longer gave them a "say" in company decisions and they suspected he was trying to convert Blackwell Consulting into a family business. To settle the issue, Bob agreed to purchase their equity. A recent valuation (twelve months old) had valued Blackwell at \$16 million. Bob's partners felt that the company's valuation had increased to at least \$20 million during the last twelve months. Bob, however, felt that the company was worth \$12 - \$14 million, a valuation which his two partners felt was grossly unfair. Bob wondered how to resolve this disagreement with his partners. He was particularly concerned that this issue could become a legal nightmare and send a negative signal to Blackwell's employees and clients.

Alexander Tauber prepared this case under the supervision of Professor Joel Peterson as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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THE EVOLUTION OF BLACKWELL CONSULTING

How Bob Blackwell's Values Shaped the Culture at Blackwell Consulting Services (BCS)

Bob understood that a “no-name” consulting company would need to differentiate itself by having a superior technology or superior people. He chose the latter. His experience growing up in Bryn Mawr, PA, attending college at the University of Wichita, and working at IBM, shaped how he designed his organization. (See **Exhibit I** for Bob's background.) Bob focused on staffing the company with minority employees, whom he knew represented a tremendously capable and untapped pool of talent. In addition, he believed that the ability of the employees to deliver a better product was predicated on everyone having measurable and objective performance criteria. Bob elaborated:

Many people have thought that diversity is important at Blackwell because I am African-American. Diversity at Blackwell has nothing to do with being African-American. Nothing! It has everything to do with hiring talented people and having very clear and easily measurable expectations of them. We have everything under this roof – Orthodox Jews, Arabs, Russians, African-American, Whites, Indians and a lot of women. And the reason that you want diversity is because diverse environments tend to bring different ideas, different approaches, and different ways of thinking about things. The customer ultimately gets a better product.

Two positions were critical at Blackwell Consulting – sales and software consulting. Bob gave an example of how staffing these positions with minorities had turned into a winning combination:

Let me give you the example of Joseph Kamizuru. Within the first 18 months of starting Blackwell, I met a Russian Orthodox Jew who spoke terrible English and stuttered a lot. Since he did not speak English, everyone thought he was stupid. I sat down with him and figured out that this guy was brilliant – he spoke German, Polish and Russian; he had the equivalent of a PhD in Mathematics and a minor in Computer Science. Everyone thought I was crazy, but I hired him. I took Joseph to Northern Indiana Public Service Company, which at the time was our largest client. I told the Vice President at Northern Indiana: ‘See this guy? I want you to trust me. His English is awful, but I'm going to put him on this job. If he doesn't work out, I will give you all your money back. So I'll start him out at \$65 an hour, which is a 50% discount from our going rate. A couple of months from now we're going to make a decision about whether you want to keep him. If you keep him, I will jack up the price to \$130 after a month. Do you want to do this?’ Joseph turned out to be a genius with computers and Northern Indiana loved him.

Blackwell Consulting's History

When Bob started Blackwell Consulting, his vision was to build a “contender” in the Midwest – whenever a corporation considered IT consultants for a major project, Bob wanted to be on the short-list with Accenture and Deloitte & Touche. To achieve this, Bob felt Blackwell needed to scale up to an organization with \$100 million in annual revenues.

Bob used his generous early retirement package from IBM to finance this new venture. To staff the company, he partnered with his son, Robert, who owned a four-person technical consulting firm. Bob hired Nancy Ruprecht as a Sales Manager. Nancy had been a rising star at IBM Services. He also hired Holly Kelps to run everything that was not sales or technical. Holly had worked with Bob at IBM. Finally, Bob hired Linda Frigo as Project Manager. Linda had previously worked at Inland Steel, a large client of IBM Services.

After two years in business, Robert sold his fifty percent interest in Blackwell Consulting to Bob for \$1.8 million and agreed to leave the company. Bob summarized the reasons for his son's departure:

The fact is that Robert had never worked for anybody. He just didn't like the idea of working for somebody and he had his own ideas for the business. I didn't feel like I left IBM and put my money in this thing to go to work for anybody either. So, it was a clash of personalities and the father/son thing weighed heavily in all of that.

A year after Robert's departure, Bob sold eight percent of the company each to Linda and Nancy and three percent to Holly at a valuation of \$3.6 million.

Blackwell enjoyed rapid growth during the 1990's. (See **Exhibit II** for summary financials.) As most large customers acquired new applications and struggled to rationalize their disparate IT systems, there was great demand for IT consultants. After the tragedy of September 11, 2001, however, corporations began to drastically reduce their investments in IT. As a result, many IT consultancies began to downsize. Blackwell was able to buck the trend due to its long-term relationships with Fortune 500 companies, such as AON and Kraft Foods, as well as its focus on less cyclical government and educational projects.

THE NEED FOR SUCCESSION AT BLACKWELL CONSULTING

The Forcing Functions

During the go-go decade of the 1990's, Bob occasionally flirted with the idea of selling Blackwell Consulting. However, he ultimately focused on his vision of developing the company into a "contender." Barring a sale, Bob needed to confront the issue of succession planning.

As 2000 came to a close, Bob realized that he could no longer continue to delay the search for a successor. While the average age of a Blackwell employee was 35 years, Bob was already sixty-four years old. As many former "IBMers" at Blackwell jokingly pointed out, he was four years older than Big Blue's mandatory retirement age. Bob's deteriorating health only made this a more urgent issue.

Bob recognized that effectively addressing the succession issue was in the best interests of the company. At the time, the firm had "a strong command-and-control structure with a flat hierarchy." Bob understood that as the firm continued to grow, a more rationale and "process-focused model" was needed. In addition, Bob readily acknowledged that he had a weakness in

dealing with administrative tasks. Although he wanted to continue “to mow the grass”(be involved in sales), he needed someone to “pick up the clippings.” Finally, a clearly articulated succession plan would also put the company’s major customers at ease.

The First Serious Attempt at Succession

Nancy Ruprecht, Bob’s partner and a Sales Manager at Blackwell Consulting, was married to Jim Ruprecht, the President of Navigant. During the 1990’s, Navigant focused on “rolling-up” the IT consulting industry. By 1999, the company had revenues of \$398 million and provided litigation, financial, restructuring, and operational consulting services. Navigant went public in 1996 and, by 1999, had reached a market cap of \$2.0 billion. In early 1999, Jim retired and cashed out of his significant equity holdings.

In an effort to begin to address the issue of succession, on February 2001 Bob persuaded Jim to join Blackwell Consulting as the Chief Operations Officer (COO). Jim and Bob agreed to divide responsibilities – Bob would run sales and Jim would manage the consulting practices, finance and administration. After nine months at Blackwell Consulting, Jim resigned.

Chris Shaner, a Director at Blackwell Consulting, explained why Jim resigned:

I don’t think that Bob gave Jim full responsibility for his areas. For example, as a practice leader, you reported to Jim. However, if you didn’t like the way he answered a question, you always knew that you could talk to Bob. So that’s what people did. Jim also did not focus enough attention on the customers. Bob is a salesman in his gut and he values the attention to the customer.

Bob commented on why his first attempt to find a successor failed:

Jim did a lot of good things at Blackwell Consulting. However, one day Jim came in and said, ‘Look you hired me to run this company and you have to let me run it.’ And I said to him, ‘I think you’ve misspoken. I never remember telling you that I wanted you to run this company. I told you that I wanted you to come help me run this company, right.’

THE BLACKWELL FAMILY EMPLOYEES

Three of Bob’s five children played an active role at Blackwell Consulting.

Leah (Blackwell) Griffin

Leah (42) joined Blackwell Consulting in 1992 and worked for Holly Kelps. Under Holly’s tutelage, Leah managed human resources. On March 2001, Leah took a nine-month sabbatical. Several months after her return, Leah became an Account Manager for United Insurance¹. At the time, United was Blackwell’s largest client and Bob was looking for someone to manage this relationship.

¹ United Insurance is a disguised name for a Fortune 500 property and casualty insurance company.

While Leah strongly felt that Blackwell Consulting should remain a family-oriented company, she did not have a strong opinion about whether her father should choose a family member to succeed him. Furthermore, Leah did not have any ambitions to someday lead the company or hold a senior position in the management team.

Pamela Blackwell

Pamela (36) graduated Northern Illinois University with a Bachelor's degree in Management in 1990. After graduation, she worked for United Airlines as a recruiter. In 1993, Pamela took a job at IBM as a graphics center coordinator.

In October 1994, Pamela joined Blackwell Consulting as the company's first recruiter. At the time, Bob was extremely concerned about the firm's ability to staff up and Pamela was charged with establishing the firm's recruiting department. In 2001, Pamela took over Leah's responsibilities as the Human Resources Manager. At the end of 2002, a year after Holly Kelps' departure, Pamela was promoted to Chief Financial Officer. Bob commented on this promotion:

Pamela has always demonstrated an ability to learn new skills and step up to new responsibilities. She also has a knack for delegating where appropriate. As far as becoming a specialist in finance, I knew it was my job to find a good coach for her.

Like Leah, Pamela was not passionate about Bob's decision to choose a successor from within the family. She recognized that this decision was very personal and she did not attempt to influence it.

Martin Blackwell

Martin Blackwell (35) graduated in 1995 with a law degree from Howard University and immediately joined Blackwell Consulting. During his first year at the company, he worked as a Consultant for Waste Management. In 1996, Martin left Blackwell and joined Bricker Consulting. Bricker focused on business process reengineering. After six months at Bricker, Martin returned to Blackwell Consulting to work as an Account Manager for the City of Chicago.

Late in 1998, Martin began to work with Bob on a potential new client, United Insurance. Bob focused on developing relationships with senior executives at United while Martin focused on developing relationships with mid-level managers. After six months, United hired Blackwell Consulting and Martin became the Account Manager for this client. During the next four years Martin grew the relationship with United into an account staffed with seventy-five consultants, generating more than \$1.5 million per month.

Martin always wanted to follow in his father's footsteps and learn how to be a "rainmaker." In November 2002, he opened the company's Southeast office in Atlanta, Georgia. At the time, Bob recognized that the Southeastern states' public sectors (state and city governments) represented a large and rapidly growing market for IT services. It was becoming clear to most of the firm's employees that Martin eventually wanted to lead Blackwell Consulting.

THE NON-FAMILY LEADERSHIP AT BLACKWELL CONSULTING

Blackwell's senior leadership team also had several non-family members that had a stake in Bob's decision to find a successor. (See **Exhibit III** for an organizational structure.)

Art Hopkins (32) had worked at Blackwell for seven years and led a group of seventy consultants. Bob referred to Art as "brilliant." He had graduated from the University of Maryland with degrees in Finance and Mathematics. Art had the unique ability to look at extremely complex technical situations and articulate the solutions succinctly to the customer. Clients such as Kraft Foods and AON claimed that Art was "irreplaceable." Bob recognized that Art still needed many years of hands-on management experience before he could "step-up" to a more senior position.

Valerie Tyler (52) had worked at Blackwell Consulting for only one year. Previously, Valerie was a Practice Director at Oracle, where she managed a team of eighty consultants. Bob felt that Valerie was tremendously talented – she was disciplined, rigorous and meticulous. Valerie was extremely motivated by commissions and a perfect leader for the sales organization. Due to her brief tenure with the company, Bob did not yet know Valerie's professional aspirations.

Charlie Moran (53) had worked at Blackwell Consulting for eight years. Bob felt Charlie was an "authority" in technology – the smartest guy in the company on this subject. Whenever Bob and Charlie met with a potential customer, Bob characterized the combination as "magic." The problem with Charlie was that he was very territorial. That is, he always thought about himself and his team and not about the company. Bob explained how he got Charlie to work on this weakness:

Charlie and I have a special relationship – he may not listen to a lot of people but he always listens to me. When we hired Jim Ruprecht, Charlie looked at me and asked me why he had not been promoted to that position. I told him that if I had given him the job, he would have been territorial and would not have allowed me to get the entire company moving in one direction. He listened and shaped up tremendously after this.

FAMILY DYNAMICS

Father and Children

Leah and Pamela had positive professional relationships with Bob. Many employees at Blackwell Consulting attributed this dynamic to their ability to communicate with their father. That is, their ability to listen and keep him informed. Martin further explained why the dynamic between Pamela and Bob was especially effective:

My father trusts Pamela. Pamela carefully listens to what he says and acts on it immediately. If she tells him she is going to do something, she does it. Period. Pamela is also very good about communicating everything that is going on to my father. This over-communication does not make him feel marginalized.

Bob's relationship with Martin, on the other hand, could be characterized as "rocky." Martin further elaborated:

Throughout my career at Blackwell, my dad has been extremely critical of me because I work in the operations (instead of the support) part of the business. When I started working at Blackwell, I made \$65,000. After one year, my dad fired me since he thought I was not doing my job. When he hired me back, Blackwell paid me \$45,000. My dad was telling me, 'You are only worth \$45,000 unless you start stepping up.' I think that part of my problem with my dad has also been an issue of maturity for me. For example, when we landed United Insurance, I thought that was my client and I wanted to take all the credit for it. However, I failed to understand that my dad had pulled a lot of strings at the senior levels to get this deal.

Blackwell Children as Colleagues

Pamela was comfortable interacting with employees on both sides of the business (consulting and administration). Leah, on the other hand, believed that her opinions were not respected enough by employees in the consulting-end of the business – she felt that some of the consultants viewed her as "a useless family member." Martin sensed that some of the senior members of Blackwell Consulting did not give him the respect that he deserved. At times, a few consultants expressed that Martin wanted to "be in the position to tell others to get their hands dirty on his behalf."

Bob had personally worked with many of the consultants who joined Blackwell while he was at IBM. These individuals chose Blackwell partly because the start-up had a culture that was similar to IBM's original culture – respect for the individual and the customer, and the pursuit of excellence. They also felt that Big Blue was beginning to lose these values as it went through several gut-wrenching reorganizations in early 1990's. As Bob brought more family members into the business, however, outsiders began to feel the culture beginning to change. This perception was reinforced as Bob made decisions that employees perceived as putting the family first.

The Partnership

Even before hiring Jim Ruprecht as the COO, the succession issue had taken a new level of urgency for Bob's three partners. Pamela further commented on this high level of urgency.

On several occasions, Nancy and Linda cornered me after a partner's meeting and asked me if I knew whom Bob was going to select as his successor. I honestly didn't know since my father only spoke about these things to my mother.

The tension among the partners finally came to a head as they tackled an unrelated issue – the sublease of the second floor of the Hartford Plaza building. On January 2001, Blackwell Consulting moved from the second floor to the more spacious eighth floor of the building. Holly, the CFO, was responsible for subleasing the second floor. For five months, Holly was unable to sublease this space. On May 2001, Robert expressed an interest in renting this space.

After drafting a sublease contract, Robert called Bob and told him that he was not signing the agreement because Holly did not want to change a certain clause. Bob asked Holly about the clause and she replied that it was a standard clause required by the landlord. Bob provided some background on Robert's relationship with Holly:

When we started Blackwell, Holly, Linda, and Nancy felt that Robert was taking advantage of me and I partly agreed with them. So they constantly bickered with him. When the issue of the lease came up, I felt it was the same bickering all over again. So, I decided to go to the landlord and inquire about the clause that needed to be changed. The landlord told me that it was not a problem to change the clause for Robert. I felt humiliated because Holly had told me that the problem was with the landlord. I felt Holly had let me down.

Bob was so disappointed with Holly that she elected to resign. Jim Ruprecht, then the COO, negotiated the buy-out of her equity. Linda and Nancy were both surprised that Bob had allowed Holly to leave and that he had chosen family over business. From their perspective, this was not an issue of ethics since they never questioned Holly's intentions or actions; this was just one additional step in the direction of turning Blackwell into a family fiefdom.

THE REQUIREMENTS OF A SUCCESSOR

Tactical and Strategic Requirements

As Bob considered how to develop the next generation of leadership, he wanted to remain firmly grounded in his end goal – “to build a contender in the Midwest with \$100 million in annual revenues.” Bob enlisted two “river guides” to help him evaluate how Blackwell could execute this transformation – Darwin John and Jerry Williams.

Jerry Williams spent the formative years of his career at General Electric (GE). He started as an engineer and, by the time he left GE in 1975, he was a Director of Strategic Planning. During the late 1970's and 1980's, Jerry was in the senior management teams of several multi-billion dollar companies that focused on consolidating industries. In 1995, Jerry assembled a group of investors, bought a platform company (Grand Eagle), and helped to consolidate the electrical equipment industry. By 2000, Grand Eagle had completed five acquisitions and reached \$200 million in annual revenues. After selling the company, Jerry retired.

Jerry had been a long-time friend of Bob's. In May 2003, Bob enlisted Jerry to coach Pamela in her new role as CFO and to determine what financial processes and procedures Blackwell needed to reach \$100 million in revenues. After six months in this advisory role, Jerry felt the company needed to improve its ability to execute. Jerry further commented:

We first needed to hire several outsiders to staff key parts of finance and human resources. We needed outsiders because almost everyone in those departments was homegrown and we needed some best practices from other companies. We also needed to put many processes and procedures in place and get people to follow them. I was less concerned with the quality of the processes and procedures and more concerned with just getting people to follow them. On that

note, I believe that the best way to teach people is by precept and example. Pamela tended to be the Blackwell who most likely followed procedures. The others (Bob, Leah, and Martin) sometimes did not. The Blackwell siblings needed to also remember that all Blackwells live in “glass houses.” That is, everyone in the company watched what they did. Everyone took their direction from watching the Blackwells responses to processes and procedures.

In the world of IT, Darwin John was considered a “guru.” Darwin had been the Chief Information Officer (CIO) of Scott Paper. In 2002, FBI Director Robert Mueller hired Darwin as the CIO of the agency. In this capacity, Darwin was chartered with developing and executing an IT strategy for the FBI – a daunting endeavor considering the chaos confronted by the United States intelligence community after September 11th.

While delivering the keynote speech at Blackwell’s tenth anniversary celebration, Darwin was impressed by the strong value-based culture of the company. He soon agreed to take on a strategic advisory role at the company. Darwin soon had a clear idea of what Blackwell needed to do to reach the \$100 million goal. He summarized his findings:

Blackwell was a sales-centric, Bob-centric organization. To get to the next level, we needed to do several things. First, we needed to move to more of a practice-centric or business-centric organization where we developed several areas of expertise in IT. Second, we needed to brand those areas. Third, we needed to move to more of a team-model rather than Bob-centric model. And finally, we needed to build a lot of processes and procedures, but at the same time be careful not to lose the entrepreneurial spirit. We needed to do this by creating boundaries with processes and procedures but allowing the entrepreneurial spirit to flourish within those boundaries.

BOB’S REQUIREMENTS

Bob’s “silence” on the issue of succession only led to a lot of speculation at Blackwell Consulting as to whom he would select to groom as the potential CEO. The non-family employees believed that Bob would choose a Blackwell to succeed him. The family members, however, believed that Bob would select an outsider to eventually replace him.

Bob was determined to identify a successor who had the ability to transform Blackwell into a “contender” in the Midwest. Bob also had several “lower” order criteria for selecting his replacement. First, the candidate needed to allow the company to continue to provide opportunities for the next generations of Blackwells. Bob viewed Blackwell Consulting as a vehicle that would ensure the financial well being of the Blackwell family for future generations. Second, the candidate needed to share Bob’s commitment to diversity and to working with minorities. Finally, the candidate needed to continue the company’s legacy of participation in philanthropic causes in Chicago. Bob further explained what he thought about this decision.

My wife and I decided that if the choice was between one of my kids who could grow the business at five percent a year and an outsider who could grow the business at twenty percent per year, and everything else was equal, we would

select an outsider. In this case, not doing so could endanger the ability of Blackwell to provide for future generations.

After Darwin's and Jerry's evaluations, Bob recognized that a lot of work needed to be done to try to re-position the company. Although Bob was not ready to retire, he needed a partner to help him lead through this next phase and to take over at some time in the future. Bob had two alternatives for a successor – Pamela or an unknown outsider who Bob had yet to find. Each choice required that Bob take a very different approach to preparing the next generation of leadership. Bob now wondered what path he should take.

THE AFTERMATH OF A PARTNER DEPARTURE

Bob's relationship with Nancy and Linda worsened after Holly's departure. Bob recalled:

Linda and Nancy were really upset that I had agreed to let Holly go and they thought that I had treated her badly. And you have to remember that Nancy and I are really good friends. So, I sat down with both of them and explained that this was not a decision where family politics came into play. I reminded them that I haven't always sided with my son. When Robert and I split, I sided with them and that was a very difficult decision because my wife was furious with me. This was just another difficult decision and they needed to also consider my point of view.

Linda and Nancy, however, continued to believe that Holly's departure was motivated by Bob's desire to keep the company firmly in the Blackwell family. This view was reinforced after Pamela's promotion to CFO and Jerry Williams' arrival. As the CFO, Holly used to regularly provide detailed financial statements to Linda and Nancy. In addition, while Blackwell continued to be more than a full-time job for Bob, Nancy and Linda frequently took sabbaticals or kept relatively less active work schedules. During these times, Holly continued to proactively update her two partners. With Pamela's promotion, the degree of sharing of information was reduced. While Pamela and Jerry felt that the two partners were entitled to summary financials, they did not provide them with details. This control of information and exclusion from company decisions further reinforced the perception that Bob was strengthening his family's control of the business.

Although Linda and Nancy continued to insist that they have more "say" in the business, Bob refused. Bob recalled his response to their request for more involvement:

Nancy and Linda continued to want more of a voice in key decisions. In a meeting with Pamela and Jerry, they continued to insist that they should be involved in major decisions, I said, "Look, I am perfectly willing to discuss this stuff with you but if we come down to a decision and the two of you vote "yes" and I vote "no," the answer is "no." Okay? I am not going to say that everybody's equal because I am 84% and I am here 24/7.

Following the meeting, Linda and Nancy confronted me and asked what I had meant by saying that I was 84%. I responded as politely as I knew how by

explaining that I owned 84% of the company, a majority, and that this was my life's work. I am at work at 6:00 a.m. every morning.

Fighting an uphill battle, Linda and Nancy decided to sell their equity in Blackwell – Linda wanted to sell her entire eight percent stake and Nancy wanted to sell six percent (of her eight percent holding). Bob was supportive of this decision. However, the devil was in the details. Linda and Nancy expected that the company would have a higher valuation than the one Jim, Nancy's husband, had negotiated to buy out Holly's equity (\$16 million). Nancy and Linda expected a valuation in the neighborhood of \$20 million. Using this valuation, each of their stakes would be valued at \$1.6 million.

When Jerry (who Bob considered a master in company valuations) valued the company, he came up with a much lower figure than the one Linda and Nancy expected. Jerry explained:

Jim valued Blackwell using the methodology of the dot.com bubble. At the time, the market was hot and valuations were completed as a multiple of revenues. After the bubble burst, however, the market completely dried up and transactions were now completed as a multiple of EBITDA. To make matters worse, 2003's EBITDA was a fraction of 2002's EBITDA. After trying several valuation methodologies, I triangulated on a number between \$12 - 14 million.

When Bob offered to value Blackwell at \$12 - 14 million, Linda and Nancy thought it was really unfair. Buying their equity positions at a \$20 million valuation, however, was also prohibitively expensive for Bob.

Exhibit I

Bob Blackwell's Background

Bob Blackwell generously gave his time to Chicago's inner city youth development programs. The following represents an excerpt of a speech that he gave in 2002 to a graduating class at a two-year community college in Chicago's East Side.

Listen carefully. You are looking at an average guy. Most people that you see in television are not extraordinary – they are pretty ordinary people that have some strengths, but also some weaknesses. Just remember, I didn't graduate from high school at age 12, I didn't have a Phi Beta Kappa key and nobody invited me to attend Harvard. Today, I am going to tell you the story of a normal guy and your story so far is probably not very different than mine. You control the choices that you make in your story from this day forward.

I grew up in Bryn Mawr, Pennsylvania. It was my perception that in Bryn Mawr, you were either rich or Black. My mother was a maid at Bryn Mawr College and my father was a porter. Bryn Mawr was part of the North, where everybody was liberal and equal rights were the law. However, there were a lot of unwritten rules.

As a boy, I was interested in the arts. I started acting in plays since kindergarten. At junior high, I suddenly wasn't allowed to play lead male parts anymore. So my notions of theater ended. As kids, we also used to go to the theater every Saturday. At the theater, there were three sections of seats separated by two aisles. I never thought about it, but we always used to sit on the left section. One day, a Black guy who was a double amputee from World War II hobbled into the theater and sat in the middle section. I quickly found out that Blacks had to sit on the left section – they dragged this guy out of the theater literally kicking and screaming.

Stan Smith, a wealthy White kid, was a good friend of mine. Stan wanted to be a businessman when he grew up. When I had to sign up for electives in ninth grade, the counselor asked me what I wanted to be when I grew up. I replied, "a businessman." After all, I had scored much higher than Stan in the Iowa Placement Test and I was a better student. The counselor told me to take Shorthand, Typing, and Business Math and she told Stan to take Algebra, Latin, and Accounting. Clearly, I was on a vocational track. My father simply said, "don't worry about what they tell our kids to do. Just watch what they tell their kids to do, and do the same. If we're sitting besides them, we'll be okay."

Sports were really important in the Black community. In my family, you either made "As" and "Bs" or you didn't play sports. So I was a good student and, by my senior year, I was also an all-state football player. I received a football scholarship at the University of Pennsylvania. However, Mr. King, the father of one of the White kids who I played football with, helped me get an all-expenses football scholarship at the University of Wichita in Kansas. My father looked at the map and got nervous because Wichita was below the Mason-Dixon Line. After all, he couldn't help but think how it would be to live in the South. Mr. King convinced my father and I went to Wichita.

All of a sudden, I was in a world where segregation was legal. For example, Ted Dean and I were the first Black football players at the University of Wichita. When the football team traveled, we couldn't stay in hotels or eat at restaurants with the rest of the team. Instead, we stayed in people's homes. This was the first time I had ever met any reasonably well-to-do Black people. I remember being in Abilene, Texas. Ted and I were driving to this guy's house and he said, "I want you kids to watch this." He hits this little button in his car and the garage door opened. I remember this like it was yesterday! It was 1957! We said, "Do that again!" He hits this thing again – the garage door closed. When we walked inside his really nice house, Ted and I were thinking, "Can you believe a Black guy owns this house?"

It was a whole new experience for me. In Bryn Mawr, Pennsylvania, the desegregated North, everyone in the Black community was a porter, a maid, a truck driver or a gardener. I had never, ever,

met any professional Black people in the first 17 years of my life. So all of a sudden, I'm going down South in this highly segregated environment where the rules were clear and Black people had learned how to succeed. They knew what to do to become professionals and own a nice home. This gave me a deep sense of opportunity.

Unfortunately, I didn't make some good decisions while I was in college. I ended up living the life of a jock and dropped out. The best thing that I did was to marry my wife, Marjilee, who I met at the University. After enlisting in the army, we moved to Philadelphia where I drove a taxicab and tried to earn enough money to go back to college.

One night, I had a seminal event in my life. I arrived home at 3:00 a.m., after a long night of driving a cab. I was lying in the bathtub, filthy dirty. My wife came in and said, "I did not marry a cab driver. I'm taking the kids and I'm going to stay with my family in Kentucky. I want you to get up, go back to Wichita, and go back to college. You can stay with my cousin Alice until you get a job. We're not doing this another day." She was right. I went back and it took me a year and a half to graduate with my degree in psychology.

While I was in Wichita, I met a great woman, Mrs. Fugate, who was the Dean of Women at the University and who also taught Algebra. One day I asked her if I should get a graduate degree. She said, "Bob, you're feeling guilty about all those years you wasted. You've got a family. You need to get a job." The next day IBM called me. Apparently, IBM used to contact Mrs. Fugate for references on potential employees from the graduating classes. She had contacted IBM after our talk and said, "I'm going to send you Bob Blackwell. If you don't hire him, don't ever call me again." IBM offered me a job on the spot. I thought that IBM was a gift from God. They had a culture, a discipline, and an expectation of performance that I loved. Just like living in the South, the rules were crystal clear and I knew what to do to get ahead. IBM was where I became really competitive and ambitious.

When I joined IBM in 1966, they sent everyone to an eleven-week course in Chicago. I walked into a class of forty students and the instructor asked, "Give me your name, your school, and your major." "Bob Blackwell, Wichita State, Psychology." Next guy said, "Charlie, Harvard, Mathematics." "Jimmy, MIT, Physics." And it starts going: Harvard, MIT, Stanford...and it's all Physics, Mathematics, and Electrical Engineering. I was sitting there thinking, "what have I got myself into?" So, I remember calling my wife in Wichita and saying, "We have some breaks during the next eleven weeks, but I'm not coming home. I'm staying up here because I'm not going to mess up this deal with IBM." I figured that there was going to be a bell curve drawn through this student population. I knew, from my experience in athletics, that effort, commitment and passion mattered. When these guys were out partying, I was studying. So, I finished fourth in the class. That mattered because IBM used to measure everything regardless of your race or gender.

By 1969, I figured out that the guys running everything at IBM had come up through sales. So I decided to be a salesman. I went to my boss and said, "Look, I want my own territory." He said, "Well, Bob, I'm giving you a piece of crap and you have to live with it." That was just the way they gave out territories to rookies. I got a territory in Wichita, Kansas, where no one did business with IBM. I started banging on doors and after 18 months I got pretty good at it. In 1971, I was promoted to lead salesmen of the state government team in Topeka, Kansas and I built a pretty good reputation. By 1973, I had begun to think differently about IBM. I was not interested in continuing as a salesman. At IBM, you had to be in certain places at certain times if you wanted to be President. Everyone retired at sixty. I was 36 years old and it was unheard of at IBM that a salesman who was 36 years old was going anywhere. I needed to be a second-level manager by that time.

I started pushing for myself. After all, IBM was largely about results. Around 1975, I was offered a job as a marketing manager in the world's worst territory, South Chicago. This was the steel territory after the Japanese had hit town – a bunch of steel mills that were almost going out of business. I had about nine people reporting to me. None of them had made their quotas in three years. So I told them:

"The nine of us are going to work together and every one of us is going to make the 100% club." At IBM, everyone that hit their annual quota was a member of the 100% club and attended an annual boondoggle. It was a big deal! I continued, "I didn't say that we're going to have three or four people make it. I said every one of us is going to make these numbers." These kids needed somebody to have a little faith in them and also to have high expectations. I didn't want to talk about forecasting methodologies or long range planning. All I wanted to talk about was how we would sell some guy a product today. So, they all went to the 100% club and I received the Outstanding Manager of the Year Award.

After a year, I got promoted to Administrative Assistant of Marv Kirby, a Vice-President who ran Chicago. IBM was a staff organization, so the Administrative Assistant position was a big deal. Initially, my new boss didn't talk to me. One day he said, "Bob, we're going to have a staff meeting at 7:00 a.m. and I want to make sure that it's in this conference room and that breakfast is served for everybody." So we're on the 39th floor of IBM Plaza and I said to him that we could not do the meeting at 7:00 a.m. because the cafeteria didn't start delivering food until 7:30. This guy looked at me and said, "The meeting is at 7:00 a.m. And we're going to have food there at 7:00." So at 6:30 a.m., I took the freight elevator to the cafeteria and carted all the food for the meeting.

This episode at IBM dealt with an organization's perceptions of its employees. Marv Kirby ended up being a very good guy to me. One day he said, "See Bob, you weren't going to serve breakfast at 7:00 a.m. but I taught you to get this thing done." I said, "Well, yeah, I guess that's right. But, you know what, Marv? I'm not a rich White boy. I'm a Black guy. Going down in a freight elevator to pick up food at 6:30 a.m. was not career building for me. It might be for some 22-year-old kid who has been hand-fed. You guys are confused. You're trying to apply the rules for the classical group of people who become executives to a bunch of people who don't fit the model. We've been going up and down freight elevators all our lives. This is not some ennobling experience for us!"

The Administrative Assistant position was the launching pad – If your next job was a Branch Manager, you were really on the path to corporate. Here is the way it worked. You had an African-American, a woman, and a White guy. IBM looked at each one of them and said that they were all "Presidential material." It's even. So they gave a big important branch office to the White guy for a couple of years and evaluated his performance. In the case of the woman and the African-American, IBM gave them a little branch somewhere that nobody cared about. At least they were sure not to fail in those branches. The whole purpose of the process was to make sure that the women and the African Americans succeeded. However, when you looked at the P&Ls, all you noticed were the huge \$400 million branches. For a woman or a Black guy to lead a large branch, they first needed spend a couple of years at a small branch. So it took women and Blacks two steps to get to a large branch while it only took a White guy one step. If you were going to be the CEO at IBM, however, you needed to be on this progression schedule. Women and Blacks simply did not have two years to waste in a small branch. So these individuals were falling behind. So the whole business about race and sex got really tricky.

In 1978, IBM offered me a small branch in Chicago and in 1980 they gave me a big branch. In 1989, I was promoted to Director of Services in the Midwest. Basically, I led a new division in the Midwest that provided IT consulting and services. Suddenly, I was doing \$100 million deals to outsource a corporation's IT department. These were big decisions where I was dealing with CEO's and very senior people at IBM. It was a wonderful opportunity in an emerging market where I was leading the way for IBM. By 1991, I had built IT Services in the Midwest into a group with annual revenues of \$250 million that was extremely profitable. I was walking up on my 55th birthday and making a lot of money. I was captivated by the services business and felt that there were low barriers to entry for people with technical expertise. I asked myself, who better to do it than me?

EXHIBIT II
SUMMARY FINANCIAL STATEMENTS

	1992 (1)	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenue	397,792	2,770,071	4,068,435	5,898,351	8,876,342	10,784,929	12,122,998	15,529,896	20,835,148	26,409,993	28,559,957
Cost of Goods Sold		1,849,481	3,240,610	4,601,303	7,066,098	6,597,881	7,771,825	10,247,079	12,747,776	14,499,130	14,976,218
Gross Margin		920,590	827,825	1,297,048	1,810,244	4,187,048	4,351,173	5,282,817	8,087,372	11,910,863	13,583,739
General & Administrative		868,275	479,267	719,665	1,439,859	3,197,028	3,721,600	4,120,191	6,192,758	10,352,825	11,651,719
Net Income from Operations	147,794	52,316	348,558	577,383	370,384	990,020	629,573	1,162,626	1,894,614	1,558,038	1,932,020

(1). The format for 1992's financial statement did not separate Cost of Goods Sold and General & Administrative Expenses

Exhibit III
BCS Organization (early 2003)

