hannon Thomson wrote this case under the supervision of Professor Alison Konrad solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

In all my years as the acting Business Development Manager, I have never seen a more talented individual who repeatedly received such poor reviews from her peers. She seemed like a great hire at the time. I can't understand what happened to make her so bitter and frustrated.

— Kelly Richards

It was August 26, 2008, and Audrey Locke, summer intern at Brussels and Bradshaw Investment Bank (B&B), had come to the end of another frustrating day. With reluctance, she made her way to Kelly Richards's office. There she would receive her final review, which would end with Richards's decision whether to offer Locke full-time employment in September. Locke was uneasy. Despite working tirelessly to appear eager, intelligent and organized to her superiors, she had received almost entirely bad reviews from the members of her project teams. To make matters worse, Locke often found herself to be the subject of rumors and pranks, all of which had caused her to grow increasingly disheartened and less productive.

As Locke collected herself outside Richards's door, she reflected on the last four months of her employment. Would this review bear more positive results, given her continued effort to reconcile personal conflict with her co-workers? Should she raise the unresolved issues that had overshadowed her internship with mistrust and frustration? Most importantly, would her hard work be rewarded with a full-time offer of employment at the end of the meeting? As Locke raised her hand to knock on Richards's office door, she couldn't help but wonder what, if any, issues she should raise with Richards and whether, if given the opportunity, she should accept B&B's offer of employment for September.

Despite its title, investment banking was historically neither investing nor banking. Instead, it was the business of raising or supplying capital for clients during growth or expansion, when the required cash was not available within the organization. Throughout the world, governments and companies financed much of their operational development and monetary needs through investment bank lending. This arrangement created a global need for such services to facilitate corporate and economic activity. As investment banking evolved, these institutions grew both in size and importance, resulting in many of the largest players operating in multiple countries. Currently, most investment banks offered commercial and investment banking services, which diversified their risk and product offerings in an increasingly complex and competitive global banking environment.

Rivalry between investment banks has continued to this day, particularly concerning retention of clients, investor support and capital, and the recruitment of top undergraduate and MBA students. The competitiveness of an investment banking firm derived primarily from its staff because innovation, expertise and maintenance of customer relations all played vital roles in the quantity and quality of deals "closed" in any given year. This approach carried important implications for investment banks because the loss of key personnel also included the loss of current or potential clients connected with each employee.

A firm's credibility and reputation depended largely on the exposure and magnitude of the deals "closed" by its staff. Therefore, losing clients and key employees to a competitor was a devastating occurrence that firms aimed to keep to an absolute minimum. Despite the competitive compensation and prestige of an investment banking position, in recent years investment banks found it increasingly difficult to retain experienced employees. For example, an entry-level analyst, typically hired directly after completing a relevant undergraduate degree, worked between 80 and 120 hours a week for two to three years. The training and experience gained in these initial years, as well as the generous compensation, were increasingly viewed by analysts as a platform from which to apply to graduate school or to pursue another facet of the financial industry, such as private equity. The growing popularity of hedge funds also provided another exit from investment banking. This trend of using a brief stint in investment banking as a jump-off point for other career pursuits had grown substantially in recent years, making it difficult for investment banks to retain their home-grown talent for more senior positions.

Investment banking was never known for its work–life balance or for its progressive human resources policies; however, the lucrative bonuses were often enough to initially attract and keep employees within the firm for at least the first few years. Throughout an investment banker's career, a substantial portion of compensation was derived from performance-based bonuses. A defection of personnel from one firm to another was often seen as a loss of confidence in the ability of the abandoned firm to produce products and opportunities that were more lucrative than those of the competitor firm that gained the new employee. Given the relatively small social and professional circles within the financial industry, this view could be devastating for a firm's recruiting prospects and its business reputation going forward.

Since the beginning in 2007, the economic downturn connected to the credit crises in the United States had sparked an industry-wide slow down in both the dollar value and frequency of deals. This effect, in turn, intensified firms' competition for business and their need to retain personnel.

An investment bank's primary function was to raise capital and provide advisory services during corporate mergers and acquisitions (M&As). As a result, numerous products and divisions of expertise were necessary within a firm to meet the unique challenges of a diverse client base. Often, the opportunities within the market outweighed the capital available to finance them. Thus, investment bankers needed to remain aware of economic conditions, business trends and market performance to maintain an acute ability to assess the risk, demand and appetite in the market for particular financial offerings. In addition, a keen understanding of monetary and international policy was critical because firms were becoming increasingly global and, therefore, faced more risk and opportunities when dealing with foreign clients.

Investment banks were characterized by five basic levels of authority: junior analyst, senior analyst, associate, vice president and managing director (see Exhibit 1). Each of these levels existed within assigned product and industry groups. Product groups included debt capital markets, equity capital markets and M&A expertise; whereas industry groups included natural resources, consumer retail, financial institutions, real estate, technology, media and industrial (see Exhibit 2). The purpose of these groups was to hone expertise in multiple areas of business industry, allowing employees within each group to develop expertise in their assigned area. As a result, many project teams were cross-staffed. For example, if a real estate company needed to raise equity to fulfill its intention to acquire another company, the deal could be staffed by analysts from the M&A, equity capital markets and real estate groups. This cross-staffing allowed investment banks to harness proficiencies from multiple areas to benefit one transaction, thus allowing for more innovative and tailored strategic advising.

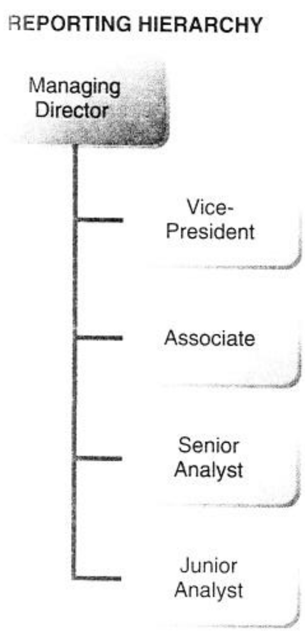

Exhibit 1 Reporting Hierarchy

Project teams were typically staffed by at least one employee from each organizational level, depending on the timeline and magnitude of the potential deal. Junior and senior analysts, being the entry-level employees, were assigned most of the technical grunt work on pitch books and in deal teams. They built most of the valuation models and performed the majority of financial-based analysis, overseen by the associate. The vice president and managing director set the strategic direction of the pitch books and actively managed the client relationships. Project teams were typically coordinated by an independent individual within the company. Selection of the project teams was based primarily on availability and the technical skills of the employee.

Investment banking analysts spent the majority of their time working on pitch books, which were essentially business plans based on a financial product, idea or valuation technique. The purpose of the pitch book was to educate the client about the opportunity and entice them to buy in.

EXHIBIT 2 Product and Industry Groups

		Product Groups		
		Debt Capital Markets	Equity Capital Markets	Merger and Acquisition Expertise
Industry Groups	Natural Resources			
	Consumer Retail			
	Financial Institutions			
	Real Estate			
	Technology			
	Media			
	Industrial			

These books required anywhere from a few days to a week to put together and acted as a means to market the bank's advisory services and to drum up new business for the bank. Once a pitch was approved, the deal went "live," taking anywhere from a few weeks to a month to complete.

Profit was derived from "closing" these live deals by collecting a fee for providing transaction advice on corporate M&As and by gaining a margin on the issuance and sale of securities. This activity was conducted in both the debt and equity capital markets. Advisory revenue and the value of transaction margins varied depending on the market focus of the investment bank. Some banks focused on the high-end market, targeting large companies and major deals, whereas others focused on the middle to low-end markets. These markets dealt with smaller companies and consequently smaller transactions. Lastly, investment banks earned profit by insuring bonds through the use of credit default swaps.

Compensation

The compensation of investment bankers was notoriously competitive, bonus-driven and known to escalate greatly with seniority. For example, an entry-level Canadian investment banking analyst could expect a beginning annual base salary of at least $65,000, with bonus potential of $20,000[1] per year, depending on personal and company-wide financial results. As seniority increased, compensation levels throughout the industry were largely based on the performance of the individual, with vice presidents generally compensated at approximately $1,000,000 per year, including their bonus. Bonuses were paid once, at the end of the year, and were calculated by evaluating the number of deals an employee was involved with, the employee's ability to work with others, the bank's general performance and other benchmarks outlined in a firm's review structure.

BRUSSELS AND BRADSHAW

Founded in 1915, Brussels and Bradshaw (B&B) had become a well-respected and established financial institution, with net revenues of $42 billion and net profit of $15 billion in 2007. By 2008, B&B was operating globally in more than 25 countries, with a particular focus in the United States, England, Canada and Hong Kong. B&B prided itself on its innovative ability to adapt to market trends and close some of the largest deals in North America. B&B was a leader in the creation of block trading, the privatization movement, and one of the first financial institutions to hire MBAs on Wall Street. B&B's mission statement had always been "To offer our clients competitive, innovative and feasible solutions for the betterment of their organization and community environments." As a result, B&B management regarded the client as king and often worked its employees to the bone to meet tight project deadlines for clients. Even employees at the associate and VP levels had come to expect working through weekends and holidays (including Christmas Eve and New Year's Day) when closing a large deal.

Throughout its history, B&B's strategic activities had focused on growing the investment banking arm of the company, with substantial resources used to recruit newly graduated young talent and to groom analysts for more senior roles within the company. As was standard throughout the industry, B&B offered services in investment banking, sales and trading, asset management, commercial banking and various other financial services. Within the last 30 years of its history, B&B had offered these services worldwide to a diversified client base to gain more global market share.

The Summer Internship Position

Since 1985, B&B had recruited and hired undergraduates in their final year of business school to work from May to August in B&B's regional offices across the continent. The internship experience was largely meant as a screening process for potential full-time candidates. The experience also allowed undergraduates to experience the firm's culture — thereby recommending the firm as an employer to their well-educated colleagues. For the last five years, B&B's internships always began in Chicago, where summer interns from all offices throughout North America attended two weeks of initial training to learn basic valuation techniques and sophisticated methods of financial statement analysis. The training was entirely quantitative and very intense. After completing their training, interns were expected to spend their first few weeks in their respective regional office, acting as a "helper" to existing deal teams. Interns spent these first few weeks

[1] All funds in Canadian dollars unless specified otherwise.

getting acquainted with the jargon, models and expectations surrounding the junior analyst role.

The 2008 summer internship position (see Exhibit 3) paid approximately $20,000 for the contracted term of 14 weeks. The difficulty of the work depended largely on how capable the analysts proved themselves to be and the projects available during their employment. As the summer progressed, interns became responsible for the full array of junior analyst activities and in return saw an increase in the hours

Brussels and Bradshaw Summer Internship Job Posting

Description of the Company:
Since its inception 93 years ago, Brussels and Bradshaw, Canada's largest investment banking institution, has operated globally in over 25 countries with a particular focus on contributing to the economies of North America through investor capital and sound financial advisory.

Brussels and Bradshaw has built a solid reputation based on consistently stellar financial performance and employee development. Our values of leadership, intelligence and innovation have shaped our past success and the employees which make our firm one of the best in the industry. At Brussels and Bradshaw, you will experience accelerated learning in a fast-paced environment full of bright and driven individuals. Our summer internship program is an ideal way to launch your career in investment banking, by joining a winning firm that wants to help you achieve your greatest potential.

The Summer Internship Position:
We are looking for driven, highly intelligent individuals who seek an environment of constant learning and change. You will work alongside other motivated individuals throughout the 14 week summer internship program. As an intern at Brussels and Bradshaw you will be provided with two initial weeks of investment banking training in Chicago, Illinois, a diverse array of assignments in multiple project teams, and assigned the work and daily responsibilities of a full time junior analyst.

Qualifications:
Candidates must be currently working towards a B.A., B.S., or B.B.A. in accounting, finance, business or applied economics. A minimum of one statistics, and two finance courses, must be successfully completed in order to apply.

Skill and Competency Requirements:
- Solid understanding of various equity and debt instruments
- Proficient problem-solving, quantitative and analysis skills
- Fundamental understanding of valuation theory, methodologies and their application
- Excellent verbal and written communication skills
- Team player with high energy and demonstrated initiative
- Self-starter with the ability to balance multiple tasks in the face of competing priorities
- Self-motivated with strong independent work ethic
- Highly skilled in Microsoft Excel and Office applications
- 1–2 years of work experience in a financial analyst position or related role

The position will entail the following responsibilities:
1) Building, using, and expanding on financial models.
2) Performing discounted cash flow, financial valuation, and multiples-based analyses.
3) Participation in collecting, synthesizing and applying product and industry research

Qualified applicants who are interested in this position should submit their cover letter, resume and unofficial university transcript via email to Kelly Richards, at KRichards@BrusselsandBradshaw.com