## Bob Kipps

## The Long View

When people talk about the American Dream, themes of equality, opportunity, and hard work tend to dominate the conversation. Yet Bob Kipps has come to understand that taking a long view of success is key to its realization. It's an idea that first started sinking in when he received a rejection letter from his dream school, the University of Virginia (UVa). Though he had started to buckle down in his studies the last couple years of high school, he saw that it hadn't made up for his freshman and sophomore years,

which were marked by little direction or effort. "I began to see that success has a long time horizon," he explains. "Effort invested now pays off in the future, and there are no quick fixes if you want a substantive, sustainable platform to build on."

Now the cofounder, CEO, and Managing Director of KippsDeSanto & Co., the largest investment banking boutique specializing in the aerospace and defense industry, Bob quotes a former colleague in pointing out that he now has a front row seat to the

American Dream. "We serve middle market clients and entrepreneurs, and we get to see all the blood, sweat, and tears pay off," he says. "That moment of transaction completion marks the triumph of their long view, and of ours, signifying the fruition of a relationship and trust that takes years to build."

Launched in 2007 and now with a team of 25 people, KippsDeSanto considers itself a big fish in a fairly small pond. With expertise in government services like cyber security, intelligence analysis, and healthcare IT, as well in Aerospace and Defense systems like unmanned systems, aerospace technology, and defense electronics, most of their clients count the federal government as their largest customer. Most of KippsDeSanto's business falls in mergers and acquisitions, raising capital and handling major buyouts and ESOP deals for these mid-sized,

technology-oriented companies. The firm generally works on the side of the entrepreneur or the seller, consistent with its background in helping people understand the drivers of business demand and value. "We're geeky experts when it comes to the defense industry," says Bob. "We know the most important investment attributes, and we're well-versed in keeping the end in mind and guiding business owners through each step of their company's growth."

Given this value add, many of the firm's

relationships start well before a client's effort. sale When KippsDeSanto meets an entrepreneur, the first stage is educational, allowing the potential client to observe and consider the firm's advice and service style over a period of months or years before any formal commitment is Over that time period, potential clients witness firsthand the firm's proficiency in consulting, strategy, deal execution, negotiation. "After this exposure, if a potential client doesn't decide to go

with us, shame on us," Bob says. "When they do decide they need us for a transaction, we can hit the ground running. Having that long view is an important aspect of our work that ensures our clients have the information they need to make informed decisions about our relationship and their business."

Thus, as with any good relationship, trust is the cornerstone of the work that connects KippsDeSanto with its clients. "As a firm, we're very focused on always doing the right thing," Bob underscores. "When the market goes down, it's not a good time for our clients to sell, and even though the company makes its money through transactions, we hold off until action is truly in the best interest of the client again. As a private company, we know that one of our best advantages is being able to do the right thing for clients 365 days a year, so we've always made sure

that we're financially prepared to make those decisions. We operate with a long-term view, and we believe there's absolutely no room in a competitive market for second-rate talent or questionable advice. Sometimes doing the right thing puts us at a short-term disadvantage compared with our competitors, but at least we can sleep well at night, and it's more important to us to remain part and parcel of this community and industry. We simply can't deal with the shortsightedness of short-term gain for long-term extinction."

The work of KippsDeSanto is done in teams, which fosters an attitude of selflessness throughout the firm that underpins its company culture. And, not big on grand internal speeches, Bob leads by example. "I feel very strongly about doing the right thing and being very transparent albeit professional-in my delivery, providing immediate feedback to help people understand when things are working and when they're not," he explains. He has focused on hiring and developing the best talent around, ensuring diversity of thought and background across his team. "It's very gratifying to hire young people and watch them develop and flourish," he says. "They embrace the brand, culture, and passion of the company and then progress in their careers here. In fact, some of our first entry level hires are now VPs."

Born and raised in the Washington, DC metropolitan area, Bob has been primed for this specific line of work all his life. His father was a government contracts lawyer-a litigator working for the biggest defense contractors – whose natural competitive streak was passed on to his son. Mr. Kipps often discussed his work at home, allowing Bob to grow accustomed to the language and logic of the industry. "My father was the first of his family to go to college, and the first to go on to graduate school to get his law degree," says Bob. "Although he can definitely be rough around the edges at times, calling it like he sees it without any filter. I got my work ethic from him. From an early age, he taught me that you have to balance doing the work and getting the work to grow the business."

Bob's mother was quite the opposite—the refined daughter of a judge who was always the picture of professionalism, intelligence, and etiquette. She had worked to support her husband while he went through law school, and then stayed

home to raise the children in their North Arlington home. Bob and his siblings were always very enterprising, interested in investigating the world around them, but Bob was the first kid in the family to get into sports. When he wasn't playing basketball, football, soccer, or baseball, he was earning spending money shoveling snow and mowing lawns around the neighborhood, amassing five or six customers he would service regularly.

Growing up the youngest of six children, Bob "had it easy" by his siblings' standards. His parents had grown softer and mellower over the 13 years of parenthood they already had under their belts by the time Bob came along. Their finances were more robust, their vacations were nicer, and they simply weren't as interested in forcing energetic children to sit down and focus on schoolwork. At the time, young Bob enjoyed the freedom, but in retrospect, he wishes he had been able to see the long view then. "When I was younger, I wasn't nearly as driven as I am today," he remarks. "I got mediocre grades through school and just wasn't very focused."

Bob's aspirations in life were similarly limited. When he was fifteen, his older sister married someone who hadn't gone to college, but had instead made a successful living by capitalizing on the advent of the computer. Bob decided he didn't need college either, and would instead tinker around with computers and software. After that, he reflected on his affinity for traveling around and seeing the country, and decided he might like to be a trucker. Those goals were short-lived, however, as his parents said that college was a requirement.

It wasn't until his junior year of high school that Bob began taking school more seriously, and by his senior year, he knew he wanted to go into business. When he was rejected by UVa, he enrolled at James Madison University and resolved to throw himself into academics, quickly earning the grades he needed to transfer to UVa's renowned McIntire School of Commerce. "It was hard to pivot away from athletics and to say goodbye to the friends I had made my freshman year, but I was absolutely driven," he recalls. "I started at UVa the following August, and within a month, we were talking about our resumes and interviewing with Wall Street firms. I was focusing on finance and going full-speed ahead toward the kind of professional career I was dreaming about,

and my interest in investment banking had been piqued."

It was the kind of education that made each student feel ready to grab the helm as a CEO right out of the gate, but upon graduation, Bob was quickly reminded that he still had a long way to go. It was the late 1980s, in the wake of the stock market correction. Several investment banks were in the process of going bankrupt, and few were hiring, so Bob took a job in management consulting with Peterson Consulting, a fast growing professional services company that placed an emphasis on training and investing in its employees. Alan Peterson, the founder, had recently sold the company to an investment group, and later in 1994 spun off a smaller consultancy. ioined that effort, thriving entrepreneurial environment. "Alan was probably almost seventy years old at the time, and people wondered why, at that stage in his career, he would decide to put in the effort to start another company when he didn't need the money," Bob reflects. "He gave me a plaque which I still have in my office today, which describes an old person building a bridge for the next generation to cross. He felt that starting another company was the right thing to do for others."

Bob learned a lot about character as he watched Alan and the other senior folks work hard to get the company off the ground. He experienced adversity and the importance of laying the groundwork before starting a business, while also observing the subtler details of building a professional services firm and taking care of employees. Through that time, he also began dating Pamela, a DC native who was working in Manhattan. The two met at UVa but didn't start dating until after college, when they were reacquainted at the wedding of a mutual friend. As things got serious, she moved down to Washington, and the two married in 1995.

Overall, working at Peterson was a great learning experience, but Bob was traveling extensively for work. He wanted to be home with Pamela, and he wanted to try something beyond the bounds of management consulting. In 1996, he heard from a college friend working at Houlihan Lokey Howard & Zukin, a global investment bank. The LA-based firm needed someone for its DC office, so Bob applied.

Lou Paone had opened the office in 1992 and built it up to a team of eight. The vacant

position was for an Associate, typically reserved for candidates with MBAs. A little older than the typical applicant, and without the degree, Bob wasn't the obvious choice for the role, but Lou could see the value in his experience and the potential in his drive. "He took a chance on me, and I'm very grateful to have had the opportunity to learn the ropes at a company with such a great culture," Bob reflects. "Over the next eleven years, the DC office grew to fifty people, and the company grew from 80 to 800 employees worldwide. I really became the person I am today thanks to the people I met there." At Houlihan, Bob hired Kevin DeSanto and Marc Marlin, two extraordinarily talented individuals. All three had similar values, outlooks, and beliefs, and they seemed to have compatible and complementary strengths and weaknesses.

All went well until Houlihan was acquired by a Japanese company in 2006, and Bob went from being a partner in an entrepreneurial firm to more of just an employee for a larger organization. He initially worried that the sensitive security businesses and defense contractors they had worked with would have cause for concern now that he worked for a larger, global firm based in Japan. The time was right for Bob, Kevin, and Marc to venture out on their own, and the year after the acquisition, they had built up enough financial stability—and eschewed enough fear—to do it.

At first, Pamela was cautious. By that point, they had three children, and though she would later return to work leading the children's ministry at their church, they were a single-income household. "Leaving a secure partner position at Houlihan to start a new business certainly raised a lot of eyebrows," Bob recalls. "But Pamela knew I had entrepreneurial aspirations and wanted me to follow my dream. In the end, she knew it was the right thing to do, and she's been incredibly supportive."

Bob decided to launch his own company because, after almost two decades of working in mid-sized, growing organizations and observing the good and the bad along the way, he no longer wanted to be told what to do. He was ready for a new challenge and new responsibility, being the one to call the shots and live with the consequences. He had seen thriving, fun, energetic companies, and he believed they had the tools, expertise, network and gameplan to build a great

company. With that, KippsDeSanto opened its doors in May of 2007. As luck would have it, five days before they opened shop, Bob won the Dealmaker of the Year Award for Investment Bankers from the Association for Corporate Growth (ACG), a testament to his recent succeses. "As a small company, our vision was to have the best talent in the industry," Bob explains. "Out of the gate, as a small firm without a reputation, we couldn't afford to be anything less than the best. Starting KippsDeSanto was a true team effort." To attract and retain that talent, Bob and Kevin wanted to create the right "work hard, play hard, fun place" kind of culture. That focus on culture lives on today, whether it's via internal deal celebrations or one of the four-to-six companywide events they hold each year. Their most recent event involved river kayaking followed by a microbrewery tour as way to thank their summer interns and welcome their class of four new analysts.

Investment banks have long sales and execution project cycles, so when the company launched, Bob knew they needed funding for twelve months with a full team. In his business, roughly 95 percent of the firm's fees and revenue come from completion of transactions, and many transactions take months or years, so he knew it would be crucial to make preparations for the long haul. True to form, the company's first transaction took over fourteen months to complete. Fortunately, three more transactions closed over the next sixty days, replenishing the firm's coffers for what would come next.

The nascent company met its first defining moment just a year and a half into its existence when the 2008 financial crisis hit, marking a dramatic loss of confidence and a tremendous upswing in equity market volatility. Over the next nine months, no transactions were completed, and with about 15 employees at that point, Bob acknowledges the fear of that time period. "With those employees counting on us for their pay and livelihood, it was our first test of real responsibility," he says. "Most investment banks were laying off staff, so we knew that if we let anyone go, their employment prospects were grim. Plus, we had worked so hard to attract our Agrade talent, we made it a top priority to keep it. So we proactively cut the senior folks' pay so that we knew we could afford to keep everyone onboard. While it ultimately proved unnecessary, it built up a lot of rapport within the ranks. It was a true test of character—not only for the firm itself, but for each of its team members as well." After a few years of strong growth, another defining moment came with sequestration and the government shutdown of 2013, which created further instability. "We've definitely been battletested, and fortunately we were able to keep it together and keep rolling," says Bob.

In advising young people entering the working world today, Bob suggests assessing a potential job by taking a look at the other people you'd be working with and for. "Beyond learning a lot about the actual substance of your work, you will also emulate the style of your colleagues and managers, whether you intend to or not," he says. "It's important to be able to tell the good from the bad so you can play an active role in what you absorb and reject." He underscores the importance of thinking broadly about what your real interests are, because there are a wide range of ways to make a living and make a difference. "Also, in today's hyper competitive marketplace, I'm a big believer in focusing on something and becoming a real expert in that field, versus being a jack of all trades," he says. "I can be a generalist on my intramural sports teams. But when it comes to business, specializing in a specific line of work for a specific industry-M&A for aerospace and defense companies - has been crucial to our success."

Beyond that, Bob remembers the value of staying connected to what's really important in life – something he was reminded of in 2010, when his mother passed away after a twenty-year battle with Parkinson's disease. Finding a cure for Parkinson's has since become an important rallying point for the family's philanthropic efforts, as has Easter Seals of the Greater Washington-Baltimore Region, where Bob serves on the Board of Directors. And, while giving back is an important part of his life outside of work, it's also a fundamental drive for Bob within the workspace, both directly and indirectly. KippsDeSanto service, whether it's prioritizes community rebuilding homes in Downtown DC and Downtown Baltimore or via meaningful financial support. "On the client side, it's extremely gratifying to help support the businesses we work with, who are typically the small guys compared to the major private equity funds or large defense contractors we see sitting across the table," says

Bob. "We work hard to level the playing field and ensure they're getting the best deal possible in what is often the most important business transaction of their career. In most cases, we're helping our clients establish their legacy, trying to do well by doing good. I'm grateful we're able to provide this kind of critical advice and support—which we find so meaningful and rewarding—to our clients, many of whom previously served in the military or in other parts of government."

One of the best parts of running KippsDeSanto, however, will be borne out over an altogether different time horizon, and one that is decades in the making. "Perhaps most of all, I'm thankful that my kids get to see what an entrepreneurial experience is like first-hand," he says. His oldest daughter, now seventeen, has watched the business grow from the beginning. His two younger children, as well, have seen the ups and downs, the inopportune cell phone calls and long hours, the setbacks and successes. "I wanted my kids to see that making a living can be about so much more than just getting a job," he says. "The American Dream can be about so much more than getting something—it can be about

creating something. I wanted them to have a fuller perspective and a more open aperture as to what they can do to make the world better and to make themselves happy. I want them to take the long view, starting now."

© September 2015 Gordon J. Bernhardt. All rights reserved. Reprinted by permission.

## - By Gordon J. Bernhardt, CPA, PFS, CFP®, AIF®

About Gordon J. Bernhardt

President and founder of Bernhardt Wealth Management and author of Profiles in Success: Inspiration from Executive Leaders in the Washington D.C. Area, Gordon provides financial planning and wealth management services to affluent individuals, families and business-owners throughout the Washington, DC area. Since establishing his firm in 1994, he and his team have been focused on providing high-quality service and independent financial advice to help clients make informed decisions about their money. For more information, visit www.BernhardtWealth.com and Gordon's Blog.

