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Investment Banking Career Primer

2017–2018

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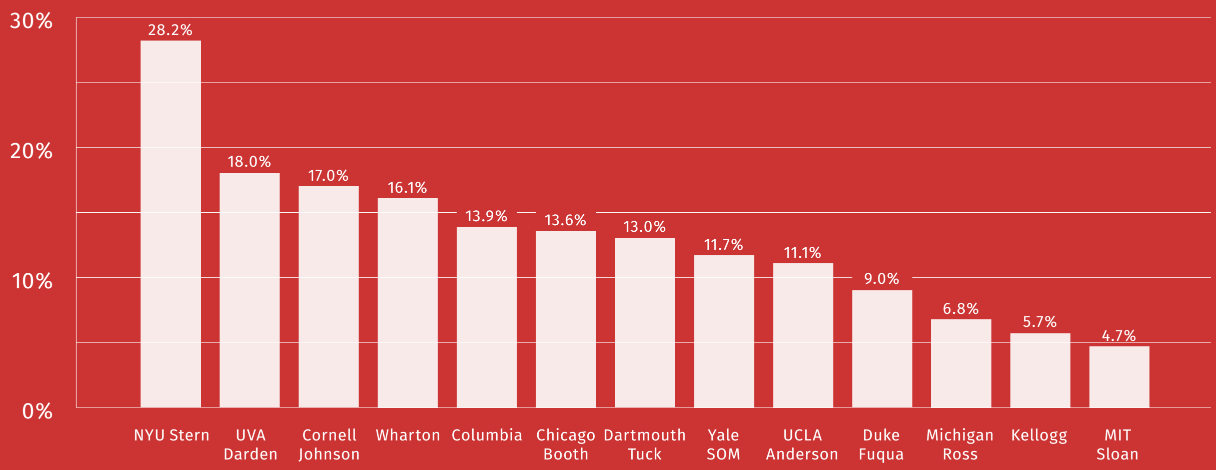
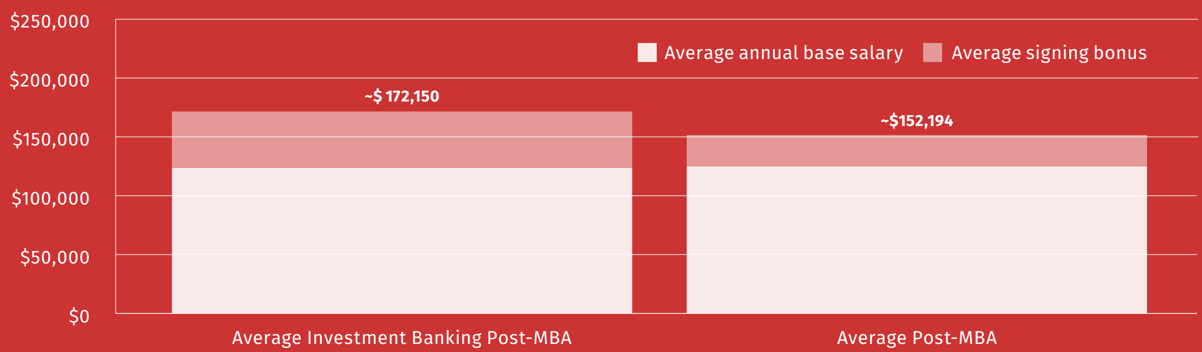
What do the data say about investment banking recruiting?

Percentage of the MBA Class of 2016 Taking Investment Banking Jobs



Source: School employment reports

Compensation for Investment Banking Positions



Source: School employment reports

Investment banking was once the most popular career choice for MBAs. Although employment opportunities in this industry have ebbed since the height of the financial crisis, investment banking is still a popular and lucrative post-MBA profession. In helping clients access the capital markets, investment bankers gain insight into a broad array of businesses. Those who stay in investment banking for the long term find the lively pace and constant flow of new projects invigorating, whereas those who leave find themselves well equipped to excel in leadership roles in corporate America.

The Org Chart

Director/Managing Director (MD)

Total compensation ranges widely from $500K–$5M+

Vice President (VP)/Director

Total compensation typically ranges from $300K–$1M

Associate

Total compensation typically ranges from $200K–$400K

Analyst

Total compensation typically ranges from $125K–$200K

Note: Total compensation includes all salary plus bonuses and will vary depending on firm, department within the firm, seniority, as well as an individual's perceived contribution.

Analyst:

A post-college but pre-MBA position, the investment banking analyst is often hired for a two- to three-year term and is tasked with the "grunt work." Analysts are the most junior members of the team and spend the majority of their time creating and continually revising Excel models and presentations based on feedback from senior team members. Very rarely do they have (or have time for) client interaction. After their two to three years are up, most analysts leave to either attend business school or join a private equity firm or the strategy group within a larger company.

Associate:

A post-MBA position with no set terms, the associate is the next step up in the banking hierarchy. Although associates may spend some time building financial models and putting together presentations, they spend most of it checking the work of the various analysts involved in their deals and ensuring that products meet the senior bankers' specifications. Associates have more client interaction than analysts do, and they often attend meetings with clients. Some associates make the jump to vice president, while others leave after a few years.

Vice President (VP)/ Director*:

If an associate survives three to four years, then he/she may get promoted to vice president/director. A VP is the project manager on each deal and project, ensuring that it is perfect and fulfills the managing director's or client's requests. VPs have significant client interaction, and senior VPs work on developing relationships with potential clients in preparation for the jump to director/managing director.

Director/Managing Director (MD)*:

Making the jump from VP to MD is the hardest transition in banking, but those who do so tend to be lifelong bankers (i.e., they joined as associates and worked their way up). Managing directors are the head honchos. They are the most senior team members, and everybody from VPs on down answers to them. MDs are the revenue generators; they maintain relationships with corporate clients and PE firms, and they create and pitch ideas to these clients through presentations (also known as pitchbooks) to close deals. More than 90% of their time is dedicated to meeting with clients, both prospective and existing, and trying to win business (i.e., deals) while everybody below them executes their plans.

**Naming conventions can differ slightly from one investment bank to the next.*

What is the job?

Many people view investment banking through the lens of Hollywood films, particularly *Wall Street*. They imagine men with slicked-backed hair in expensive suits competing aggressively for multibillion-dollar deals. But beyond the stereotypes, what exactly is investment banking?

The term "investment banking" refers to a wide range of services and products that a large financial company sells to wealthy individuals, corporations, investment firms, and governments, which is why the field is often called the "sell side." These offerings are split across three main areas: traditional investment banking (yes, investment banking is a subset of investment banking), sales and trading, and research. The industry can be confusing at first, so let us try to clarify:

- **Investment Banking**: Investment banking in the traditional sense is the focus of most business school students who want to start a career on Wall Street, given the high demand for MBA-level talent in this field. The core responsibility of investment bankers is to help clients navigate the increasingly complex financial markets. So, as a banker, you might help a company go public (via an IPO, or initial public offering), provide advice and lend money to a private equity firm so it can acquire a company, or assist a government in raising money by helping it issue bonds. Bankers are usually split into specific groups that focus on certain industries (e.g., health care, consumer) and are also sometimes split according to specific tasks, such as mergers and acquisitions. Regardless of their focus, virtually all bankers work long hours (80 or more per week) in a fast-paced and intense environment.

- **Research**: Research attracts MBAs who like analyzing companies, researching a wide range of subjects, and writing reports. Tasks in research include gathering information (e.g., financial statements) about a company and its competition, conducting industry research, and having discussions with management teams. A research analyst writes a report using this information, giving his/her recommendation on whether the company represents a good investment. These reports are sent to clients, some of whom will contact the research analyst to get more details. A research analyst also spends time with sales and trading professionals, sharing opinions on specific companies to help them make decisions on buying and selling stocks and bonds. Research analysts' work hours are generally more predictable than those of investment bankers, but longer hours are required when companies release financial information, which occurs every three months (also known as earnings season).

- **Sales & Trading (S&T)**: S&T professionals are brokers between sellers and buyers of stocks and bonds, and they are split across different desks, with each desk selling and trading different types of securities. For instance, one desk may sell and trade only U.S. stocks, while another may focus on Latin American stocks. Although roles vary at individual desks, sales professionals will generally call clients (usually big investment firms like Fidelity) to persuade them to buy or sell certain stocks or bonds through specific desks. Traders then execute (i.e., fulfill) these buy and sell orders. Work hours in S&T are aligned with market hours. S&T professionals arrive early in the morning before the market opens at 9:30 a.m. to listen to conference calls, gather news, and develop strategies for the coming day, and then they leave shortly after the market closes at 4:00 p.m.

We should note that job opportunities for MBAs are more limited within research and S&T compared to investment banking. For every 50 MBA jobs in investment banking, only five to ten may be available in S&T and approximately five in research. For S&T, the skills gained during an MBA program are less valuable than learning how to trade or developing relationships with clients. Research, on the other hand, does value MBAs, but these divisions tend to be smaller, which explains the comparative scarcity of opportunities. Therefore, throughout the rest of this guide, we will focus exclusively on investment banking.

No, really, what is the job?

So, what does helping a private equity firm buy a company, assisting a company in going public, or facilitating a government's efforts to raise money through bonds really mean?

Investment banking is a hierarchical group effort, wherein senior bankers (MDs and VPs) direct junior bankers (associates and analysts). MDs bring in the deals, VPs take the lead in executing those deals, and associates and analysts are responsible for the plethora of tasks required to complete the deals/projects. Associates provide support to everyone on a deal team. Several investment banking associates provided us a few examples of their responsibilities:

A client in the transportation industry wanted to explore buying one of its competitors and asked us to see if [the transaction] made sense. As an associate, I had to check an analyst's work on and make a ton of edits to a pretty complex pitchbook that gave the company our thoughts on why the transaction could make sense under different scenarios. I got to go to the pitch meeting, too.

We helped a company refinance its bonds. A big part of this was the lender's meeting. I helped put together the presentation and worked with different divisions to make sure we contacted the right buyers of the bonds to come to the presentation.

I worked on a sell-side deal where a small consumer company was selling itself because the founder wanted out. I spent a lot of my time dealing with client inquiries and creating a presentation for the management team. There was a ton of client interaction—the CFO called me almost daily.

A company was selling one of its divisions, so I worked with an analyst to put together a stand-alone financial model. Then, the two of us [analyst and associate] compiled and organized information about the division that we then uploaded onto a data site. Interested parties [buyers] from a list I helped put together were given access. Got to meet these parties and get a bunch of client interaction.

We worked on a big leveraged buyout of a hardware company that needed a lot of debt financing [borrowed money]. As a leveraged finance associate, I put together materials on similar financings done and explained the transaction to our research team that was going to help us sell the deal [sell bonds issued] to investors.

What is good about the job?

The benefits of investment banking can be tremendous. You gain a broad and deep education in business and finance, and you build a great network across the industry. Whether you contribute to the completion of an M&A (merger and acquisition) deal or research a company's stock, you learn how businesses operate and how to analyze situations with a laser focus on details.

Because of the steep learning curve and intense hours, two years in investment banking can almost equate to five years working in most other industries. You gain skills such as problem solving, communication, and attention to detail while learning about all facets of business, including marketing and sales, finance, and operations.

Beyond these skills, working as an investment banker offers:

- Generous compensation and benefits
- A meritocracy in which top performers advance quickly and are compensated very well
- Exposure to C-level executives early in your career
- A well-defined career path (associate → vice president → director → managing director)
- A high-powered network across multiple arenas
- Boundless exit opportunities, such as working for a client company, working at an investment firm, and starting a business

But surely the job has pain points, right?

Any high-powered job is bound to have some drawbacks. For investment banking, these include:

- An unpredictable schedule with very long hours (80 or more per week), including all-nighters
- An intense work culture with no room for error
- A steep learning curve and often a “sink or swim” culture
- Less job security—banks are quick to hire and quick to fire, particularly as the economy fluctuates

Banking jobs are highly sought after, not only because of the compensation, but also because of the skills and responsibilities one gains early in such a career. However, some drawbacks exist. Since the financial crisis (which accelerated with the collapse of the prominent investment bank Lehman Brothers in 2008), bankers have been maligned publicly at times. In addition, the work environment is intense. An associate gets a few weeks of training and then is expected to perform flawlessly with barely enough time to digest each project/transaction before moving on to the next. Work hours are long, and work/life balance is nearly impossible to maintain, though this is getting better as banks are trying harder to retain talent (for example, some firms are now encouraging analysts to take one day off each weekend, and others are insisting that they do). Bankers constantly cite the long hours and the pressure to perform as the biggest pitfalls of the job. In investment banking, the responsibilities also change at each job level—the best associate, who is meticulous in checking an analyst’s work, may not necessarily make the best VP, who leads all projects. Meanwhile, the top VP may not have the sales skills to be a good director and bring the firm new business. To succeed, you must constantly evolve and adapt to new demands.

What is the secret to success?

Balance is important in banking (though not the work/life kind). Success depends on having a good balance of soft skills and technical skills and knowing how to lead and be led. To move up the ladder, you must constantly excel in new areas (e.g., from managing analysts to leading deals), sell your abilities to senior bankers and clients, and navigate an often hierarchical corporate culture by developing relationships with senior-level bankers as mentors.

Who are the big fish?

Before we highlight the major players in the industry, you must understand the different categories of banks: bulge bracket, Tier II and other firms, elite boutiques, and other boutiques.

When people discuss investment banks, they generally are referring to bulge bracket banks, which are the largest banks, with multinational operations. Although the members of this group can change based on perception and industry performance, bulge bracket firms include Goldman Sachs, JPMorgan, Morgan Stanley, Citigroup, Barclays, BAML (Bank of America Merrill Lynch), Credit Suisse, and Deutsche Bank. Job responsibilities are identical across these firms (and at other large banks), though company cultures can vary.

Bank of America Merrill Lynch

Bank of America has grown through acquisitions—the latest being acquiring/saving Merrill Lynch during the financial crisis. BAML's approach is similar to that of JPMorgan's "financial supermarket." The bank grew rapidly through acquisitions with a hard-charging culture. This has changed in recent years after an outcry over long hours. Although an internal divide between former Merrill Lynch bankers and former Bank of America bankers still exists, BAML remains one of the top banks on Wall Street and constantly competes for deals, given its massive balance sheet. According to the firm's LinkedIn page, "At Bank of America Merrill Lynch, we have the strength, resources and global capabilities to let you carve out a career on your own terms."

BARCLAYS

Barclays is a large financial firm that was relatively unknown in the United States until it purchased the remnants of Lehman Brothers after that firm went bankrupt. Its former CEO, Bob Diamond, helped grow Barclays's size and scale (employees and business lines) to compete with larger banks such as JPMorgan. However, Diamond stepped down because of the string of regulatory issues the firm was facing. Today, Barclays is decreasing the size of its operations in hopes of becoming a smaller and less risk-prone bank.

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Citigroup (known as Citi) was the original financial supermarket built up by Sandy Weill and his lieutenant, Jamie Dimon (who now leads JPMorgan). Citi was another bank on the brink of collapse that navigated the financial crisis with government aid and by shedding of billions of dollars in assets. Citi is still one of the largest global banks and has a considerable international presence. The bank offers many opportunities to gain experience in different groups and divisions, but insiders note that the culture varies greatly across the organization. Citi's Web site states, "With clients in more than 100 countries, it's no surprise that our people are incredibly diverse."

CREDIT SUISSE

Credit Suisse has a decidedly international culture, with employees shifting among offices in London, New York City, and Hong Kong at the bank's encouragement. This Switzerland-headquartered bank has a strong global presence. Credit Suisse's brand used to be on par with those of the heavy hitters in the industry, but it has lost some luster because the firm recently pleaded guilty to helping wealthy individuals and some institutions evade taxes. However, the firm's investment banking operations are still strong, and it has survived much better than its Swiss rivals, such as UBS.

Deutsche Bank

Like Credit Suisse, Deutsche Bank has an international culture, with employees given many opportunities to gain experience in different countries. Deutsche has a good presence in the United States, but the bank is much stronger internationally with its offices in Europe—especially in Germany, given its German heritage—and is routinely at the top of the industry's list of advisors/banks (known as the league tables) abroad.

Goldman Sachs

Rolling Stone once famously called Goldman "a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money." Meanwhile, Goldman CEO Lloyd Blankfein claimed that Goldman is doing "God's work." Often reviled on Main Street, Goldman is the cream of Wall Street and is the preferred destination among many MBAs interested in investment banking. Goldman consistently leads the most prestigious deals and projects, and its employees typically have better long-term career opportunities outside of banking than employees of other banks.

JPMORGAN CHASE & CO.

JPMorgan survived the financial crisis unscathed, and it even expanded by acquiring Bear Stearns for what many consider a bargain-basement price. JPMorgan's CEO, Jamie Dimon, was even once considered President Barack Obama's banker because he advised and helped the government during the financial crisis. Now one of the largest banks in the world, JPMorgan is a financial supermarket with a diverse array of products and services around the globe. Insiders note the company's commitment to employee development; long-term employees are encouraged to move across divisions and groups. JPMorgan's Web site states, "We are deeply committed to cultivating an inclusive environment where everyone can succeed based on merit. We believe no barrier should inhibit an individual from performing to his or her full potential."

Morgan Stanley

Morgan Stanley was once hailed as Goldman Sachs's equal, but after coming back from the brink during the financial crisis, the bank is now smaller and more risk averse. However, Morgan Stanley is still a prominent player in investment banking, with one of the best M&A and technology teams on Wall Street. Retention is a priority at Morgan Stanley, evidenced by recent pay raises for junior bankers at the firm.

Who are other notable players in this space?

Beyond the bulge bracket are Tier II and other banks, such as Jefferies, RBC Bank, and Wells Fargo. Tier II/other banks are generally either newer to banking (e.g., Wells Fargo) or not as strong across all products and services the way firms such as Goldman Sachs are (e.g., RBC). Some are also retreating heavily from banking, including UBS, which lost its head of investment banking and has seen its operations shrink in terms of both revenue and employee count. Although some of these banks are growing, MBAs tend to aim for the bulge bracket banks, given the appeal of working on larger, marquee deals and having a better brand name on their resume.

Elite boutiques are different from the bulge bracket and Tier II/other banks because of their smaller size (e.g., Moelis & Co. has approximately 700 employees, whereas Goldman Sachs has nearly 35,000) and because they typically focus on providing M&A advice. These elite firms are just as prestigious as Goldman, but because they do not hold and pool individual client or corporate assets, they cannot lend to their investment banking clients, and this limits the services they can provide. However, many of these elite boutiques do compete and win M&A assignments against larger banks because of their relationships (many of these firms were started by top investment bankers at bulge bracket firms) and specializations (e.g., Qatalyst Partners focuses on technology). However, post-MBA positions at these firms are limited because of these firms' smaller size, with some hiring only two to five MBAs a year.

Evercore

Founded in 1995 by former Clinton-era deputy secretary of the U.S. Treasury Roger Altman, Evercore quickly built its reputation as an elite, boutique investment bank. Evercore competes for junior staff with bulge bracket firms such as Goldman Sachs by giving significant responsibility to junior bankers. A public firm since 2006, Evercore has been growing through acquisition (Lexicon Partners), strategic alliances (Kotak Investment Banking), and an expansion of its services to include private equity and research. Today, Evercore's revenues still come predominantly from investment banking, with the firm maintaining that its independence from conflict (it has neither a proprietary trading desk nor a lending operation) enables it to aggressively challenge its larger competitors because it can provide unbiased advice.

LAZARD

Lazard was taken public by the late Bruce Wasserstein, who was a prominent figure in the M&A arena. The firm is now run by Kenneth M. Jacobs and is known for its ability to compete against larger banks for M&A assignments. Lazard is also known on Wall Street for having one of the best restructuring groups in the industry. Insiders note that Lazard's hours are much longer than those at other banks, so be prepared to work hard if you land here.

MOELIS & COMPANY

Moelis & Co. was founded by Ken Moelis, the former head of UBS's Investment Banking Division. He has been called the best banker in the industry and was named *Euromoney*'s 2014 Banker of the Year. Moelis the firm began operations in 2007 but has quickly grown in size and now offers almost a full range of investment banking capabilities, including asset management. The company's culture is rooted in the famed UBS Los Angeles office, which offered long hours but above-average compensation.

Qatalyst PARTNERS

Frank Quattrone—a legendary technology investment banker who led and/or started the technology banking groups at Morgan Stanley, Deutsche Bank, and Credit Suisse—founded Qatalyst in 2008. The firm focuses heavily on the tech industry and participates in almost every marquee deal within it. Rumors indicate that compensation is far above average. Much like at Moelis, opportunities for MBAs at Qatalyst are limited, with only six MBAs among its staff of 46 employees.

The following table provides a more detailed comparison of bulge bracket and elite boutiques:

	Bulge Bracket	**Elite Boutique**
Training	Long and comprehensive	Limited—you are expected to hit the ground running
Mobility	Opportunities exist, though some banks encourage this more than others	Limited—most boutiques have only a few offices with lean team structures
Experience	Varies across different types of deals and projects	More focused on a certain area, such as M&A or restructuring
Compensation	Fairly standard	Can be higher than that of bulge bracket banks
Workload/Responsibility	Hierarchical experience, where junior employees do the grunt work	Teams run lean, so junior employees are expected to carry a heavy workload

How do I get the job?

The three most important traits banks seek when hiring are as follows:

1. **Strong analytical skills and detail orientation**
   You must be comfortable with numbers, analyses, and finance. Paying attention to details is a must as well. Errors in financial models or even presentations could make or break a potential transaction. When applying, ensure your resume, cover letter, email correspondence, and all interactions are error free.

2. **Good communication skills**
   Banks look for candidates who can communicate persuasively—how else do you convince CEOs to sign multimillion-dollar deals? Being able to effectively describe your background and why you want the job will help demonstrate your communication skills.

3. **Ability to pass the "airport test"**
   You must be more than just a number-crunching machine. You need to be likable, someone with whom others would not mind spending more than 100 hours a week—or, at worst, being stranded at an airport.

Beyond these traits, banks look for exemplary performance in school and prior leadership roles at work, even if one's previous positions were not related to finance. Strong undergraduate grades in analytical majors such as science, technology, engineering, or math (STEM) from top-tier institutions are important. Banks also favor athletes and former military personnel for their competitive nature and discipline.

Internships are very important because most banks hire interns for the majority of their open associate-level positions. Landing an internship requires extensive networking with employees at banks and excelling in a series of events (such as happy hours hosted by a prospective employer, roundtable discussions, candidate dinners, and treks in which groups of MBA students visit various Wall Street banks) at which candidates are judged by how well they get along with other attendees. After a candidate is placed on a short list of potential interviewees, he/she will undergo a series of technical and behavioral interviews. Technical interview topics can include how to value a company and/or how an income statement, balance sheet, and cash flow statement work together to provide a complete picture of a hypothetical client firm's finances. Preparation is key, and many MBAs spend every free moment reading the *Wall Street Journal* and crafting answers to potential technical questions.

During an internship, performance becomes critical—this period is really a ten-week interview! Good performance equates to producing error-free work, communicating well within your group (and networking beyond that group), and making sure everyone from the analyst level up likes working with you. Going in with a good attitude, getting along with everyone in your group, and producing strong work will help you translate that internship into an offer for a full-time position at the end of the summer.

If investment banking is your chosen industry for a summer internship or post-MBA position, get started now building your network, conducting informational interviews with classmates and friends at target firms, creating an investment banking–targeted resume, and preparing for case interviews. To learn more about how an MBA Career Coach can assist you in securing an investment banking position by guiding you effectively through each step of the recruitment process, schedule a free consultation with us at **www.mbamission.com**.

Your Post-MBA Career

Starts Now!

Whether you are entering business school this fall, writing your applications, or just starting to look at MBA programs, now is the time to start thinking about your long-term professional path.

Explore your options and learn about typical post-MBA fields—including consulting, investment banking, and private equity—by downloading our free **Career Primers**.

Visit the **mbaMission blog** for posts on effective networking, acing your job interviews, writing standout cover letters, assembling a strong resume, and other valuable tips.

For help defining and preparing to execute your personal career plan once you have been accepted but before you even set foot on campus, sign up for a free 30-minute consultation with one of our Career Coaches: **www.mbamission.com/careerconsult**.

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