

OFFICE OF CAREER DEVELOPMENT
CAREER PATH: Investment Banking / Private Wealth
Management/ Research/ Sales & Trading/Financial Derivatives and
Risk Management
Steps for Developing a Career in Securities

Introduction

The Office of Career Development (OCD) created the *Career Path* series to assist students with the career search process. Each *Career Path* handout examines a common business functional area in which Ross School of Business graduates pursue jobs each year. The first four steps of OCD's recommended career search process are detailed for each specific business field.

OCD believes self-assessment is an essential first step to any career search; please take the time to review the *entire* CareerLeader program as part of your career search effort.

Investment Banking Overview

The primary focus of this guide is to familiarize you with the investment banking career search. Much of the information also applies to those interested in research and sales & trading careers, although there are many aspects of sales and trading that are not covered here. Some of the information presented has been pulled from *A Comprehensive Guide to the Investment Banking Job Search* written by Joseph Hyde, BBA 1996. The complete text written by Hyde can be found at the end of this handout, and gives additional information on the function of investment banks.

The business of most large investment banks can generally be divided into two categories: Investment Banking (sometimes referred to as Corporate Finance) and Sales & Trading. Investment Banking divisions are involved in debt and equity capital raising, financial advisory services (including mergers and acquisitions) and occasionally merchant banking activities, while Sales & Trading divisions engage in the research, brokerage and distribution of securities. Investment banks generally work with four client groups: corporations, municipalities (governments, hospitals, universities, etc.), financial institutions (insurance companies, money managers, venture capital and LBO firms, banks, etc.), and wealthy individuals.

Even though many commercial banks now provide both commercial and investment banking services, investment bankers consider themselves and their industry to be very different from commercial bankers

and the commercial banking industry. JP Morgan Chase is an example of a firm that has investment banking and commercial banking. Bear Stearns is an example of a pure investment bank.

Knowing the distinction between the various functions of an investment bank is crucial during the career search process. A good interview definition of an *investment bank* would generally require mentioning both investment banking and sales & trading; however, a good interview definition of *investment banking* would require mentioning capital raising and financial advisory, but would exclude sales & trading. Merchant Banking is typically outside of the Corporate and Investment Bank. Merchant Banking is similar to Private Equity and is considered “buy-side”. CSFB is a perfect example. Their private equity arm includes: merchant banking, LBO, venture capital, mezzanine debt, secondary funds, fund of funds and real estate.

The Finance Club (<http://webuser.bus.umich.edu/Organizations/FinanceClub/>) provides you with career information and various resources to enhance your job search within investment banking, corporate finance, and sales and trading.

The New Profession: Financial Derivatives and Risk Management

Monumental achievements in economic sciences combined with advances in computer and information technology have transformed global financial markets and the theory and practice of finance over the last two decades. The combination of financial theory, mathematics and computer technology has led to the emergence of a new profession in financial derivatives and risk management. The spectacular growth and development of the global derivatives market is one remarkable example. The total value of all unregulated derivatives is estimated to be \$127 trillion -- up from \$3 trillion 1990.

In an increasingly complex and interdependent world of financial markets and products, only those organizations which are able to effectively manage and control their risks will have the ability to succeed. Corporations, funds, municipalities, and other institutions rely on risk management professionals such as treasurers, risk analysts, and portfolio managers to make decisions which can determine the fate of the organization and its investors in periods of distress in the financial markets.

As the use of derivatives has grown exponentially in recent years, demand for competent derivatives professionals is especially strong among Wall Street firms. According to Carolyn Jackson, Executive Director of the International Swaps and Derivatives Association (ISDA), financial engineers are needed now more than ever on Wall Street. A demand for derivatives professionals and risk managers is also increasing rapidly within the treasury departments of non-financial corporations and public institutions.

Therefore, a wide range of career opportunities is available to students with expertise in financial derivatives and risk management:

- commercial and investment banks
- brokerage and investment firms
- insurance companies
- consulting and accounting firms
- treasury departments of non-financial corporations
- public institutions, such as federal government agencies, state and local governments, municipalities and international organizations
- software and technology vendors providing products and services to financial industry

Our graduates (MBA and Financial Engineering) are offered positions as risk managers, investment bankers, derivative traders, designers of specialized securities, and financial engineers. Employers include investment banks, commercial banks, financial consultants, financial and database software suppliers, financial regulators, and exchanges.

Furthermore, whether your career aspiration is to become an institutional salesperson/trader, a portfolio manager, an investment banker, a corporate finance analyst, or a private banker, you will find that financial derivatives is becoming a more and more important part of your skill set. Knowledge in this fast-growing area will provide you with the finance acumen necessary to excel.

The Financial Derivatives and Risk Management Club (www.umderivatives.com) provides you with career information and opportunities to meet industry professionals through club events with our corporate sponsors. You can obtain more career related info on the club website under “Career.”

Terminology

Investment Banking

Individuals working in investment banking often refer to themselves as bankers. They often refer to their job as banking. Within the investment banking division, groups are divided into two broad classifications: industry or product groups. Examples of industry groups are: consumer products, TMT (telecom, media, technology), banks and financial services, health care, industrials and energy. Examples of product groups are leveraged finance and mergers and acquisitions. It is important to research each bank to find out how they divide their groups and what groups they have as this changes from bank to bank. What’s more, understanding each bank’s groups and their training program becomes critical during the interview process and decision making time – as this is a key way to distinguish the banks from each

other. Much of this information is available on company specific websites and general career search websites such as Hoovers.com and Vault.com.

Sales & Trading

Individuals working in a *sales & trading* department of an *investment bank* are not *investment bankers*, nor do they work in *investment banking*. Instead, they are either *sales brokers* or *traders* who work in *sales & trading*.

Private Banking

This function is often referred to as Private Wealth Management (PWM). This role varies widely by firm so it is important to look into the responsibilities and roles within each firm. Individuals working in a private banking role need to demonstrate a passion for the capital markets and for teaching others about sophisticated debt and equity products. The primary difference between private banking and sales and trading is the intimate relationships that one must establish with clients. This is due to the nature of dealing with that individual's personal balance sheet. Broadly speaking, you will need to be more of a generalist covering debt and equity products. This role can also be very entrepreneurial but this depends on the firm.

Research

Researchers refer to themselves as *analysts*. This is not to be confused with the analyst position available in investment banking, for students right out of college. A research position usually implies following one field/industry and developing expert knowledge on it and the companies within it.

Before You Begin

There is a division or "Chinese Wall" between banking and sales & trading/research, where information flow is minimized to promote and protect. The individuals in each of these areas generally have different skill sets, career goals, and personalities. People in investment banking are typically very thorough and detail oriented and are willing to work strenuous hours. Those interested in sales & trading are typically fast thinkers and strong in mental math. Recently, the industry has come under fire for mixing research and investment banking. Knowing which area appeals to you and what skills you excel in will help you focus your job search more effectively.

The Investment Banking/Sales & Trading/Private Banking Career Search

Career Search Step #1: Conduct Self-Assessment

The nature of an investment banking career makes careful self-assessment very important. The job search itself can be difficult and frustrating, and competition for summer and full-time Associate positions is fierce. Before you make the decision to pursue the industry, you should understand the Associate role, the skills and interests required, and the lifestyle and work environment.

Based on the CareerLeader profile, professionals in investment banking are oriented strongly toward analysis and enterprise control rather than managing people. They enjoy abstract financial analysis and the ownership of the 'deal' process. Almost all recruiters look for the following specific qualities:

Skills and abilities:

- knowledge of financial services
- strong quantitative and analytical skills
- ability to apply advanced oral and written communication skills to create a positive impression and professional rapport
- solid sales and marketing skills
- ability to work independently while functioning as part of a team

Personal traits:

- a high degree of initiative and motivation
- attention to detail
- client focused
- composure and confidence to juggle conflicting priorities
- strong analytical and quantitative skills
- assertive and entrepreneurial nature
- ability to learn, think, and react quickly
- keen attention to detail
- ability to work well in a team environment
- strong interpersonal skills
- ability to multi-task
- ability to communicate clearly and amiably
- knowledge of industry trends, history, and the major participants
- strong interest and academic excellence in finance, accounting, and corporate strategy
- ability to read, understand, and use financial statements
- strong familiarity with business computer applications, particularly Excel

Recruiters also want people who have high stamina levels and a hunger for learning, and who are confident, poised, energetic, and willing to make personal sacrifices due to the demanding schedule.

The investment banking work environment is often described as fast-paced, stressful, competitive, , and generally unbearable over the long term. It has also been described as collegial, cooperative, friendly, and enjoyable. Why the contradictions? The reason is that the work environment, lifestyle, and expectations can differ substantially from bank to bank, and even from group to group within a bank. There are too many uncontrollable factors involved to make a consistently accurate generalization. However, it is well known that 80 to 100 hour work-weeks are common, with more time required during crucial periods. Based on this estimate, obvious lifestyle sacrifices are part of this career choice.

On the plus side, a career at an investment bank will provide you incredible knowledge, information and insight about corporate finance and the financial markets, challenge you to take on significant responsibility, and allow you to gain an arsenal of skills that are valuable in a variety of different business settings.

Investment banking/sales and trading jobs generally pay larger total compensation packages for several reasons. First, the work environment is hectic and fast-paced. Second, there is constant stress and you will be required to work long hours, including weekends. Third, there are more risks in a career in investment banking. The success of the company, and ultimately your success, is based on the ability to generate business and keep clients satisfied, as well as the strength of the economy and financial markets. Finally, investment banks tend to “overhire” due to natural attrition rate in good times and “overfire” in bad times.

Career Search Step #2: Investigate Possible Career Opportunities

The general career path for MBAs in investment banking is as follows:

- Associate (3-4 years)
- Vice-President (3-4 years)
- Associate Director / Director / Senior VP (2-4 years)
- Managing Director / Partner / Senior Managing Director

Almost every MBA starts at the Associate level, where the emphasis is on financial analysis and valuation, “quarterbacking” the transaction process, and the development of new business. While the majority of associate opportunities are in New York, there are some opportunities to work in regional cities such as Chicago, San Francisco, and Los Angeles, as well as in international cities, such as London, Paris, Tokyo and Hong Kong.

A note for BBAs: Many larger firms will hire students with undergraduate backgrounds from almost any field of study, including business, economics, history, engineering, political science, and psychology. Investment banking financial analyst programs are two-year programs. After the two-year period, analysts are allowed to pursue their MBA, JD or other careers. Historically, many analysts later return to their original firm as an associate after receiving an MBA. By contrast, most smaller firms without the resources for training programs want Associates to contribute immediately, so they generally only hire MBAs. Extraordinary Analysts may be offered a 3rd year. Occasionally, some coveted Analysts are promoted to Associate without an MBA.

Career Search Step #3: Research and Target Potential Companies

Investment banks may be loosely classified according to size, function, and focus. On one end of the spectrum are the *full-service* firms, the first tier of which is commonly referred to as the “bulge-bracket” and the second tier of which is commonly referred to as the “major bracket”. Full-service firms are normally involved in most or all investment banking and sales & trading activities. Positioned at the other end of the spectrum, *boutique* firms specialize in only one or a few industry and functional areas.

The advantages of working at a larger bank include well-developed training programs, generally better firm-name recognition (although not always), possibility for lateral or geographical movement, numerous other entry-level Associates with whom to forge relationships, strong research and support services, and ample networking opportunities. The disadvantages of larger banks include the difficulty of gaining distinction in a large associate class, the risk of getting “pigeonholed” in one functional or industry group, and less exposure to senior bankers and clients.

The advantages of working at a smaller bank include significantly greater exposure to senior bankers and clients, a more unique work experience, a broader transactional experience, usually a greater share of the responsibility, occasionally less hours, and a less competitive work environment. The disadvantages include possibly limited training programs, the risk of lesser firm-name recognition, less opportunity to work at a regional office, weaker support services, and the limitation of the bank’s area of specialization.

Students interested in international career opportunities with investment banks should visit the banks' websites, speak with the recruiters during the campus presentations or send an email to alumni who are working in overseas offices of these banks to obtain more information on the recruiting process and the job requirements which may have additional language requirements. They can expect to spend a significant amount of time in the job search and recruiting process. Even though many of these students have a good knowledge of their targeted geographical markets, they would still need to gain a

good understanding of the functional aspects of the job opportunities in investment banking or sales and trading and how the responsibilities differ due to the locality.

Most of the investment banks do not actively recruit at UMBS for their international operations. Instead, the international recruiting processes are mainly centralized in a few regional cities such as New York, Chicago and Los Angeles. Students who apply for full time or summer positions in the international operations of the investment banks will be short listed for a preliminary phone interview. If successful, they are then required to travel to New York or Chicago for the final rounds of interviews. Some firms may require in-country interviews at regional headquarters (eg. Hong Kong or London).

For off-campus searches, students are encouraged to attend career fairs that cater to students interested in specific geographical regions. For example, the Miami career fair attracts companies with significant presence in Latin America and students interested in working in Latin America while students interested in working in Japan should attend the Boston career fair. As most of these recruiting events are held in the fall, students (including incoming first year students) are encouraged to prepare their resumes in advance for these events.

In addition, the Finance Club initiated a networking trip to Hong Kong during the Thanksgiving break of 2002 (following Wall Street Forum in October) and is developing a comparable trip to London This is a useful networking opportunity as students can meet with alumni and recruiters from at least four to five investment banks in information sessions. Selected students were able to parlay the meetings into subsequent internship interviews during their stay.

The following table lists many of the most recognized banks, including both bulge bracket and boutique firms.

A.G. Edwards & Sons	Key Banc Capital Markets
Banc of America Securities	Lazard
Barclays Capital	Lehman Brothers- Bulge
Bear Stearns	Merrill Lynch- Bulge
The Blackstone Group	Morgan Stanley- Bulge
Citigroup - Bulge	Peter J. Solomon
CIBC World Markets	P&M Corporate Finance, LLC
Credit Suisse First Boston- Bulge	Putnam Lovell NBF
Deloitte & Touche Corporate Finance	Raymond James & Associates
Deutsche Bank- Bulge	RBC Capital Markets

Dresdner Kleinwort Wasserstein	Robert W. Baird & Co.
Duff & Phelps, LLC	Rodman & Renshaw
Evercore	Rothschild North America
Friedman Billings Ramsey	Sandler O'Neill & Partners, LP.
First Albandy	Soundview Technology Group
Gleecher Partners	Suntrust Robinson Humphrey
Goldman Sachs & Co.- Bulge	Thomas Weisel Partners
Greenhill & Co.	UBS Investment Bank - Bulge
Houlihan, Lokey, Howard, & Zufkin-Bou.	US Bancorp Piper Jaffray
J.P. Morgan Chase- Bulge	WR Hambrecht & Co.
Jefferies & Co.- Boutique	Wachovia Securities
Keefe, Bruyette & Woods	William Blair & Co.
	Wertheim Schroder

Career Search Step #4: Develop a Career Search Strategy

Most investment banks now recruit at UMBS, making an off-campus job search a bonus to your overall effort. For both on- and off-campus recruiting, networking and preparation will be essential to your success.

Several key steps should be included in your search strategy:

- **Strengthen your profile.** Grades (primary) and extracurricular activities (secondary) are important to Investment bank recruiters whereas they are not as important for Sales and Trading recruiters. You are often asked on a cursory basis how you are doing but your overall fit in the firm is much more important than grades, especially in a sales role. Attempt to secure leadership positions in your affiliations (but not as a tradeoff to grades).
- **Utilize OCD services.** OCD sponsors a number of workshops that will help you market yourself to target firms. Workshops include resume and cover letter preparation, interview skills and the off-campus job search. Because of fierce competition for positions, marketing tools like resumes and letters must be of extremely high quality. Office hours are available for counseling for all aspects of the career search and skills development process. Career counselors and staff members with banking experience may be available to provide specific functional perspective. Note: Some industry specific interview guidelines are listed at the end of this section.
- **Network with UMBS Alumni and the Finance Club.** Focus on UMBS alumni and current MBA2's with investment banking experience. The UMBS Finance Club also sponsors events and workshops where you can meet finance professionals and learn about the industry. Introduce

yourself, ask questions about their respective job searches and experiences, ask questions about the recruiting and interview process, inquire about internship possibilities, and so on. Even though most people will be receptive, please keep in mind that these people are very busy, so respect their time. The best time to call people on Wall Street is Monday through Thursday between 5:00 and 8:00 p.m.

- **Attend all on-campus investment banking presentations and receptions that follow.** Indicate your interest level and research the differences between each firm to better help you during the interview process
- **Attend the Wall Street Forum.** Prior to arriving in New York, determine contact information for firms recruiting on-campus. Arrange informational interviews if possible. It is best to set these up by initially emailing the contact asking them when would be an appropriate time to follow up with a phone call. You must respect their time. Remember that these people have a full time job and that their help is extracurricular. If contacts don't have time during the Forum, try to set up other meetings with them during breaks from school. It is an excellent idea to go to New York, at your own expense, during breaks from school to visit the firms. Try to set up appointments with bankers before you go, but understand that you might have to contact them once you are there. Email your resume to them when you request an informational. Associates will probably be the most receptive to MBAs. These "informational" trips will help prepare you for interviewing and provide you with material to discuss with your interviewers.
- **Conduct research.** Start learning as much as possible about the investment banking industry and about the differences among the major investment banks. Do this by attending all informational investment banking presentations, by reading the Wall Street Journal and other business periodicals, by listening to the financial market reports on CNBC, by reading the *Wet Feet Press* publications (available in Kresge Library), Vault.com's guide to Investment Banking and Finance Interviews and by reading investment banking books. An excellent overview to investment banking can be found in *Investment Banking & Brokerage*, by John F. Marshall and M.E. Ellis, *The Business of Investment Banking* by K. Thomas Liaw, and *Monkey Business*. If you are interested in learning the intricacies of valuation, read *Valuation: Measuring and Managing the Value of Companies* by McKinsey & Company Inc. Other worthwhile books are *Barbarians at the Gate* and *Den of Thieves*. These two books involve the major banks, players, and events of the 1980s on Wall Street. Two other books are *Liars Poker* and *The Money Culture* both written by Michael Lewis. These last two books pertain more to sales & trading.

A recruiter at a New York investment bank related to OCD in the Spring of 2003: " I touched base with some of the other recruiters to gather advice on options for students who did not receive offers for jobs in sales and trading but who want to pursue capital markets as a career. Their answers were consistent with mine- it would be helpful to find a job with a hedge fund, private equity shop, mutual fund, etc. Basically

any industry on the buy-side that has a lot of contact with salespeople and traders. A job with a hedge fund or mutual fund would probably be viewed slightly higher only because the intern would have gained more experience applicable to sales and trading.”

Commonly asked Investment Banking interview questions

FIT

Why do you want to be an investment banker?

Why do you want to work for our bank?

Walk me through your resume explaining why you made the choices you did in the past.

What characteristics do you have that will make you a good banker?

What differentiates you from the other qualified candidates we are looking at today?

Tell us about three of your strengths and three of your weaknesses.

What is the biggest challenge that you have had to overcome?

If for some reason you could not do i-banking, what would be your second career choice?

What are your three biggest achievements?

Give us an example of a failure/setback you've experienced and how you've handled it/what you learned from it.

Suppose you get an internship and at the end of the summer you are not hired? Why could this happen?

Which other banks are you talking to? Why are you interested in those banks?

If you were building a team what kind of people would you want on it?

What motivates you?

Tell me something that is not on your resume that will make you a good candidate for this job.

What three adjectives would your peers/superiors/subordinates use to describe you?

What is the greatest risk we face in hiring you?

What are your greatest team and personal achievements?

Describe your leadership style.

Describe a team situation you were in where things did not work out as planned.

Why did you go to Michigan if you want to work on Wall Street

What other B-schools did you apply to and get in?

Do your grades reflect your abilities?

What other types of jobs are you interviewing for and why?

What other investment banks are you interviewing with? If you got offers from all of them, where would you go?

How do you know you will be able to handle the hours required of an investment banker?

Do you consider yourself a risk-taker?

What is your greatest accomplishment?

Tell me about something creative that you've done.

What have you done to learn about investment banking?

What are your undergraduate GPA, GMAT and SAT scores? What are your class by class b-school grades?

What kind of skills do investment bankers need?

With what other bankers have you spoken from this bank?

What product or industry groups are interested in working with?

How well do you function under pressure?

Why do you want to work on Wall Street?

TECHNICAL

What type of a company would be a good candidate for an LBO?

What are the two largest ways companies can play with their earnings?

How does Net Income flow into the Balance Sheet, Income Statement, and Statement of Cash Flows?

Describe how to value a privately held company.

Describe four valuation methods.

Walk me through a DCF.

Walk me through an LBO model.

Comparable company vs. precedent transactions

How would you describe cost of capital to a non-finance person?

Define beta for a non-finance person.
What kind of financial modeling have you done in the past?
How would you calculate WACC/discount rate?
General market questions, Global market questions
Firm-Specific questions (recent deals, large deals, etc)

Tips:

- Be prepared to meet with several people, all of whom would rather be doing something other than interviewing another MBA or BBA.
- Know that the interviewer may be friendly, but usually at one point they will put some pressure on you by asking a difficult or unrelated question just to see how you react under pressure.
- Know the distinctions between the major firms.
- Always dress professionally, don't wear suspenders, pocket squares or double-breasted suits. Straight collar or spread collars are preferable to button down shirts.

For Sales and Trading:

Skills Related:

Tell me about a time when you had to make a difficult decision (professional)
When have you used quantitative information at work?
What other things are you looking at if not sales and trading?
What qualities do you think you have that would make you a good sales person?
What makes you unique?
What are 2 weaknesses you possess?
What are your strengths?
What previous experience have you had that is related to Sales and Trading?
What skills do you have that would make you a good trader (Trader salesperson)?
Do you consider yourself good at careful analysis or on-your-feet problem solving?
What is the biggest risk you have ever taken?
What is the most important attribute of a good salesperson?
What about S&T most interests you why?
Tell me about a time you had to motivate a group?
How would you describe your leadership style?
Tell me about someone who you admire?
Why did you choose Michigan?
What is the best and worst thing someone could say about you?

Sales and Trading Functional

Why debt vs. equity?
What particular markets or instruments are you interested in? Tell me some major trends briefly.
Do you want to trade or sell?
What makes you think you can sell? Sell this can of soda (at the interview room) to me.
Sell me your favorite stock.
What is going to make you make the calls you hate to make?
What is your favorite stock and why? What's the P/E on that stock?
Who is your favorite trader?
What have you learned from your personal investment experience?
If you couldn't be a trader (salesperson), what would you be?

Market Questions

What stocks do you follow? What would make you buy that stock?

Why is the P/E a good indicator?

Give me your opinion on the economy.

I want to take advantage of low interest rates because I plan to buy a house in two years. What do I do?

Tell me about the risk of corporate bonds

What is the price of: yen, pound, euro, gold, crude oil. The fed fund rate, the 30 yr t, etc

How do you stay on top of the markets?

What would you buy and what would you short?

How would you invest \$1 million today?

What is unique about the US treasury market vs. the rest of the debt market?

What is Junk (bond)?

Tell me what an institutional investor is.

How does compounding work?

How does the yield curve work? What does it mean when it is upward sloping?

Why do we care about housing starts?

What do you think will happen with interest rates over the next six months?

What is a hedge fund? What is the nature of the relationship between brokerage houses and hedge funds?

Other Questions Previously Asked By Specific Banks (in addition to those already listed above)

Morgan Stanley:

The majority of people who are on trading floors are type “a” personalities that are drivers who always push to succeed. Give me an example where you have displayed an entrepreneurial spirit that shows you can succeed in such an environment?

Teamwork is crucial to the success of Morgan Stanley. It is imperative that we work as a team so that we all can benefit. Give me two examples of your team experiences, one where you were successful, and one where you failed. Why were you successful, why did you fail?

The trading floor is a very stressful environment, people always yelling and screaming with tempers flaring. Also, you are asked to make some difficult decisions on short notice. Give me an example of where you were forced to make a difficult decision, and what were the steps that led you to that decision?

Bank of America:

I want you to do the talking. Over the next twenty minutes please tell me why we are here. What have you done previously that have led you to pursue a career with BofA in their fixed income department?

Why do you think you would be good in the business and what differentiates you from the other candidates that I will see today?

Why fixed income vs. Equities?

What attracts you to the fixed income market?

Why do people assume that the fixed income markets are more quantitative than the equity markets? Are they?

Lehman Brothers:

Why S&T as opposed to private banking or IB?

What are the inputs into Black – Sholes

Where do you see the markets heading in the next six months and in the next year?

What is your concern with the budget deficit?

What stocks do you like?

What are the three factors today why I should buy these stocks?

Why do you think you would be good in this business?

What technical skills from your previous positions have prepared you for a career in Sales and Trading?

Goldman Sachs:

Tell me about your background and why you are here.
Why finance, why S&T?
What's your opinion on the economy?
Give me a sector you like.
Give me 2 longs and a short.
What function do you see yourself doing? Why?
What product are you most interested in? Why?
Explain your role in MBA team meetings.
Give me an example of your client interaction skills.
Give me your strengths, weaknesses, and how you are improving them.
Compare and contrast MS / GS, explain their stock prices and tell me why GS.

SSB:

Give me an example of how you were successful in an unstructured unregulated environment.
Why did you decide on your undergraduate institution?
Explain your major to me.
What skills can you transfer to S&T?

JPM Private Bank:

Why Private Banking vs. Institutional S&T?
Based on your background, why / how will you be successful in this?
Why do you want to do private banking?
What is a stock you like now / dislike now?
Where is the market heading in the next 6 months?
I am looking for a new winter coat; sell me a new winter coat, where would you start?

ML:

What's the hardest part of leadership?
What's your opinion on the current state of the financial services industry?
What's your hardest class?
Give an example of your quantitative skills.
Give an example of your leadership skills.

Wachovia:

Give me an example of a time you didn't make a project deadline and how you handled it.
Give me an example of how you handled pressure.
Are you comfortable taking risks? Why?

Know the news and be able to provide an opinion on it!

Probability questions such as what is the probability that the batter will hit a ball if he has a .333 batting average?

Tips:

- Be prepared to be interviewed by a trader or salesman. They will be more direct in their questions and not as concerned with your resume.
- Being strong quantitatively does not guarantee you a job. You must also display other attributes, including leadership, interpersonal skills and teamwork. Most importantly, you must convey passion

for the markets. This is what separates candidates. If one candidate clearly wants the job more than another, the interviewer will pick up on this.

- The goal of the interview is to get the interviewer to like you. Sales and Trading is a relationship business, and banks want candidates who are not just smart, but also hardworking, enterprising and have a good attitude.
- Be sure you have a good answer when asked “Why us and not another bank?”
- Know your interviewer. Relate to them and their role at the bank as much as possible. Incorporate this into your answers.
- Don’t try to be Gordon Gecko. Tossing around lots of trader lingo and wearing expensive cufflinks is a sure-fire way to get dinged.
- Ask specific, informed questions about the bank that show you’ve done your homework. This includes more than stock price, market cap, etc. Know the history of the bank, its culture, and major recent deals/events.
- Be descriptive in your answers, and include lots of specific information. This shows attention to detail. At the same time, be as brief as possible. People who work in S&T are used to getting lots of information quickly and then moving on to the next task.
- “So, why Sales and Trading?” This perhaps the most important question you’ll get. Convey to the interviewer exactly how S&T is a perfect of your skills and interests.
- Make sure you have a strong grasp of the macro environment. Where are interest rates? Oil prices? The dollar? Treasury yields? Why are they going up/down? How does this affect various investments? Interviewers are fond of asking questions that incorporate these different factors.
- The first few minutes of the interview are critical. You want to immediately set the tone, show your passion, and generally convey how important a Wall Street job/internship is to you.
- Sell yourself to the interviewer to prove you can sell services on Wall Street.
- Know the bank and reach out to those people that you have connected with. If the interview is the first time that you have met with someone at that firm, your chances are diminished.
- Spend some time going over brain teasers to prepare for your interview. A great site for brain teasers is: <http://rec-puzzles.org>

Bibliography of Information resources

- CareerLeader™ online program
- *So You Want to be an Investment Banker*, by Wet Feet Press, Kresge Library.
- *A Comprehensive Guide to the Investment Banking Job Search*, by Joe Hyde, BBA ‘96 (full text follows at end of this document)
- *Investment Dealers Digest*, an important Wall Street trade magazine available in Kresge

- Barron's, good reference for equities.
- The Economist, especially important for FX and international bonds and equities.
- Careers in Investment Banking career packet, Kresge Library

Suggested MBA Elective Courses for Investment Banking:

*Note: It's somewhat of a myth that banking is about Finance. Any finance required is covered in the core class. It's accounting that bankers need to really load up on. Advanced Financial Accounting is painful but probably the most useful class I have taken at Michigan.

Essential Courses:

F580
F615
F621
F622
F630
F631
F645
F647

Recommended Courses:

F612
F614
F627
F628
F623
F624
F632

Suggested BBA Elective Courses for Investment Banking:

ACC 312 Intermediate Financial Accounting
ACC 318 Financial Statement Analysis
FIN 314 Corporate Financial Policy

OFFICE OF CAREER DEVELOPMENT
A Comprehensive Guide to the Investment Banking Job Search

Overview of Investment Banking
Deciding to Pursue the Industry
Job Search Strategy and Advice
Post-Offer Considerations

Joseph C. Hyde
University of Michigan Business School
Bachelor of Business Administration, Class of 1996

INTRODUCTION

During the course of your academic and professional career, you will encounter several books, articles, and papers that are similar to this one. As you read such writings, it will be for you to decide which information you choose to believe or disbelieve, and which advice you choose to follow or ignore. To help you measure the reliability of this paper, I have described below the experiences that are the most responsible for shaping my perspective on the investment banking job search.

In the fall of 1992, I entered the University of Michigan in the College of Literature, Science, and the Arts. During the summer of 1993, I worked as a Recruiting Assistant in the Business School's Office of Career Development, where I learned about what recruiters look for and about the methods that students use to market themselves. In 1994, I entered Michigan's BBA program, where I spent much of my first two semesters learning about investment banking and trying to find a summer internship in the industry. Although I was unable to find one, I had a very worthwhile internship experience in the information technology consulting industry. During the first semester of my senior year, however, I worked as a part-time Research Assistant in Ann Arbor at a small branch of a New York-based investment bank.

Throughout my senior year investment banking job search, I was in contact with over 25 different banks, sent over 50 interview request and thank you letters, made over 200 phone calls to recruiters, and visited 11 banks on 7 trips to either New York or Chicago. I went through over 60 interviews with investment bankers and had probably twice that many informal discussions with people associated with the industry. In the end, I accepted an offer from The Blackstone Group in New York, where I am currently working in my second year as a Financial Analyst.

OVERVIEW OF INVESTMENT BANKING

Investment banking is a very difficult industry to define, which is unfortunate for applicants because "What is investment banking?" will likely be the most frequently asked interview question they will hear. To make matters worse, asking ten investment bankers to define the industry would probably yield ten different answers. Since most banks have different

organizational structures and department titles, the best approach to defining the industry is to focus on the function of investment banking as a whole.

Investment banks typically have two business divisions: Investment Banking and Sales & Trading. Investment banking divisions are involved in capital-raising, financial advisory, and merchant banking activities. In contrast, sales & trading divisions engage in the brokerage and distribution of securities. Investment banks typically work with four client groups: corporations; municipalities (governments, hospitals, universities, etc.); financial institutions (insurance companies, money managers, banks, etc.); and wealthy individuals.

This paper's focus is on the function of investment banking and the investment banking job search; unfortunately for those interested, there is very little mention of sales & trading contained herein. Despite the fact that these two fields are housed together under the roof of one investment bank, they have very different characteristics and job requirements. Although a good interview definition of an *investment bank* would generally require mentioning both investment banking and sales & trading, a good interview definition of *investment banking* would only require mentioning capital-raising, financial advisory, and merchant banking, and would exclude mentioning sales & trading. Please note, however, that the distinction that I have made here is not always a safe one to rely on, as the terms used to define investment banks are not universally accepted within the industry.

Capital-Raising

This service involves investment banks acting as intermediaries between entities that need capital and entities that have capital to invest. Investment banks raise capital for clients in the form of debt (bonds), equity (stocks), and other types of financial instruments. Capital-raising is equivalent to investment bankers generating money from investors in the marketplace and then selling that money to their clients.

For instance, if ABC Corporation needed an inflow of cash, it might decide to sell securities to the public. ABC executives realize that they neither have the expertise nor the time to sell the securities themselves, so they contact an investment bank. The bank would work with ABC to determine the characteristics of the security, which would include type (debt, equity, or other?), amount (how much money is needed?), and structure (at what price should the stock be sold, or what interest rate and maturity date should be attached to the bonds?).

After these decisions have been made, the investment bank's sales & trading division would sell the security either to the public at large, or to one or a few investors in a private placement. In the case of a public offering, the investment bank acts as an underwriter by purchasing the securities from ABC and then reselling them in the debt or equity market at a higher price. In return, the bank retains the profit from the sale plus any other negotiated fee. The offering is usually structured in one of two ways. In a "best efforts", the bank tries to sell as much of the security as it can, but is only obligated to buy as much from its clients as it sells to investors. In contrast, in a "firm commitment", the bank agrees to buy a specific amount of the security from its client, and then tries to sell the entire amount to the market. However, if it is unable to sell the entire amount, it is forced to retain the remainder for its own portfolio.

When the capital-raising service is performed for a corporation, it is generally called Corporate Finance. In fact, most department titles that contain the word "finance" imply a capital-raising function. For example, when the capital-raising function is performed for a city government that would like to "finance" the construction of a new highway with the sale of bonds, the Municipal or Public Finance Group might be assigned to the deal. In another example, when the type of capital being raised is a security with a high rate of return (junk bonds for instance), the High Yield Finance group might be assigned to the deal.

Financial Advisory

This service involves investment banks advising clients on strategic alternatives and their financial implications. While capital-raising was once the mainstay of the investment banking industry, the field of financial advisory has seen dramatic growth over the past two decades. Financial advisory includes mergers and acquisitions (“M&A”), restructurings & reorganizations, and several other specific transactions.

In M&A groups, bankers advise clients in the purchase or sale of companies, divisions of companies, or specific assets of companies. The M&A process involves the following activities, depending on whether a bank is advising the buyer (“buy-side”) or the seller (“sell-side”): assessing the financial and operating aspects of a company, preparing a potential-buyer list, contacting and coordinating with potential buyers, developing a selling memorandum used to inform potential buyers about a company, performing detailed valuation analyses, assessing the value of bids from potential buyers, and structuring beneficial deal terms. M&A is the most well-known advisory field and is often a very difficult area to break into.

In restructuring groups, bankers represent debtors (companies in financial distress) or their creditors (bank lenders, bondholders, etc.). Bankers in these groups assess the financial and operating aspects of a company, analyze business plans of reorganization, provide detailed valuation analyses, design optimal capital structures, work with legal counsel, and bring debtors and creditors to agreement through negotiation. Although restructuring is currently not as well-known as M&A, the field has grown dramatically during the 1990s. As many companies that were former leveraged-buyouts of the 1980s began to file for Chapter 11 bankruptcy during the 1990s, the restructuring advisory field became increasingly more important and well-known. Further, the advent of distressed-debt or “vulture” investing by many top investment funds and former corporate raiders of the 1980s has also brought more attention to this field.

There are many other types of financial advisory services, all of which will not be expanded on in this paper. It is more important to understand that financial advisory groups analyze business situations, develop and propose financial alternatives, and implement complex strategic solutions.

Merchant Banking

Merchant banking (also known as “Principal”) activities involve the investment of a bank’s own money and the money of outside investors in the securities or assets of another firm. In the ABC Corporation example, if the investment bank believes the security being sold is a sound investment, it may wish to retain a portion of the security issuance for its own portfolio. In another example, an investment bank (on its own or in a partnership with another financial buyer or investor) may wish to acquire an entire company and then sell it at a later date. There are few limitations as to the activities that investment banks can become involved in, so they often use their expertise to profit in the same services they provide their clients.

What Investment Banking Is Not

While it is crucial to understand what investment banking is, it is equally as important to understand what investment banking is not. A common and understandable mistake is to assume that the function of *investment banks* is strictly *investment banking*. As mentioned previously, the complete function of *investment banks* is divided into two general categories: *investment banking* and *sales & trading*.

Therefore, even though people may work in a *sales & trading* department of an *investment bank*, they neither are *investment bankers* nor do they work in *investment banking*. Instead, they are either *sales brokers* or *traders* who work in *sales & trading*. There is a “Chinese Wall” in terms of information flow and loyalty that exists between investment banking and sales & trading departments. The individuals in each of these two areas generally have different skill

sets, career goals, and personalities. If you are interviewing for a financial analyst position, you will seem unfocused if you mention that you are also interested in sales & trading.

Investment banking is also commonly confused with commercial banking. While there is absolutely a clear distinction between *commercial banking* and *investment banking*, there has increasingly become a lack of distinction between *commercial banks* and *investment banks*. Before the stock market crash of 1929, there was virtually no limitation on the services that banks could provide. However, after the crash, there was a desire among commercial bank depositors to have their savings protected from the risks inherent in the securities industry. As a result, Congress passed the Glass-Steagall Act to separate the activities of commercial and investment banks. Hence, throughout much of this century, investment banks were limited to raising capital, providing financial advisory services, entering into merchant banking activities, and executing investment positions (sales & trading). On the other hand, commercial banks were restricted to accepting deposits, making loans, offering checking accounts, and so on. However, despite Glass-Steagall, the confusion between the definition of an *investment bank* and a *commercial bank* has arisen because, since the early 1980s, many prominent commercial banks such as J.P. Morgan, Bankers Trust, and Chase Manhattan have slowly been allowed to provide investment banking services. Congress has now paved the way to allow for this combination of commercial and investment banks with the repeal of The Glass-Steagall Act on November 12, 1999.

Nevertheless, even though many commercial banks now provide both commercial and investment banking services, most investment bankers consider themselves and their industry to be very different from commercial bankers and the commercial banking industry. Whether this is true of all investment bankers or not, if you are interviewing with an investment banking department, it is simply safer not to mention that you are also interested in commercial banking.

Bank Organization and Classification

Within investment banking, banks organize their groups by both function and industry. Examples of functional groups include Corporate Finance, Municipal Finance, Leveraged Finance, Private Client Services, Mergers and Acquisitions, Restructuring and Reorganization, and Principal Investment. Examples of industry groups include Health Care, Industrials, Technology, Media and Telecommunications (“TMT”), and Financial Institutions. Generally, bankers in a functional group provide their specific service to companies of all industries, while bankers in an industry group provide a full range of services but only to those companies within their specific industry. Obviously, the boundaries separating these groups are thin, as bankers from both functional and industry groups often work together on transactions. Also the trend in the industry has been towards a focus on industry groups executing all transactions. This is exemplified by the closing of several M&A product groups in recent years.

Investment banks may be loosely classified according to size, function, and focus. On one end of the spectrum are the *full-service* firms, the first tier which are commonly referred to as the “bulge-bracket” and the second tier which are commonly referred to as the “major bracket”. Full-service firms are normally involved in most or all investment banking and sales & trading activities. Positioned at the other end of the spectrum, *boutique* firms specialize in only one or a few industry and functional areas (usually including financial advisory, but excluding large sales & trading divisions). For example, some boutiques may provide only financial advisory services to all industries, while others may provide a full range of services, but only to information technology firms.

While it is reasonable to classify banks in terms of size, function, and focus, avoid ranking them in a “most desirable” order until you have learned more about them. You will likely encounter people who will try to convince you that a certain bank is superior to another bank, without offering concrete reasons used to make this conclusion. Be advised that there are many factors

to consider when evaluating a bank. *Do not become obsessed with getting an offer from the “best” investment bank because there isn’t one.* There are distinct advantages and disadvantages of working at every investment bank in existence, whether large or small, full-service or boutique, bulge-bracket or not.

The advantages of working at a larger bank include well-developed training programs, generally better firm-name recognition (although not always, as many smaller firms are more respected than larger firms due to the quality and reputation of their senior bankers and the exclusive nature of their recruiting practices), possibility for lateral or geographical movement, lots of young people, strong research and support services, ample networking opportunities, and the ability to avoid working with “undesirable” bankers. The disadvantages of larger banks include the difficulty in standing out in a large analyst class, the risk of getting “pigeonholed” into one functional or industry group, and a significantly reduced exposure to senior bankers and clients.

The advantages of working at a smaller bank include a significantly greater exposure to senior bankers and clients, a more unique work experience, a broader transactional experience, usually a greater share of the responsibility, a less competitive work environment, a more collegial atmosphere, and a close knit recruiting class. The disadvantages include limited training programs, the risk of poorer firm-name recognition, less opportunity to work at a regional office such as Chicago, fewer opportunities to move within the company, poorer research and support services, and the limitation of the bank’s area of specialization.

DECIDING TO PURSUE THE INDUSTRY

Not everyone should pursue investment banking. Ignoring for a moment what it would be like working in the industry, the job search itself can be a frustrating and forbidding experience. Furthermore, while the Michigan BBA program is considered to be a top tier program, the competition for analyst slots is fierce. Before you make the decision to pursue the industry, you should comfortably understand the financial analyst role, the abilities and qualities required, and the typical investment banking lifestyle and environment.

The Role of the Financial Analyst

Many larger firms will hire students from almost any field of study, including business, economics, history, engineering, political science, and psychology. In contrast, most smaller firms want their incoming analysts to be able to contribute immediately, so they generally only interview students with strong business backgrounds. Most smaller firms will hire 2-10 analysts total from all the schools at which they recruit, while most of the larger firms will hire 30-150. Even though the majority of hired analysts will work in New York, there are some opportunities to work in regional cities such as Chicago, San Francisco, and Los Angeles, as well as in international cities, such as London, Paris, and Hong Kong.

Broadly, analysts do whatever is necessary to assist senior bankers in providing investment banking services to clients. This role typically involves a number of different activities. Analysts gather, analyze, and prepare financial information, and they utilize their computer-modeling (spreadsheet) skills to perform scenario, valuation, and capital structure financial analyses.

Analysts create models that show a 3-5 year look at a company’s financial statements, given the following information: historical performance, a set of financial projections, and various transaction and capital structure assumptions. They perform several types of valuation analyses based on trading and acquisition-pricing comparables (multiples), discounted cash flows, and liquidation estimates. They help answer questions such as, “What is the market value of this company?”, “How can we reorganize our client’s capital structure (mix of debt and

equity) to improve its financial health?”, and “What will be the condition of our client’s financial statements 5 years from now if we implement our recommendations?”.

Analysts also prepare financial and statistical exhibits to illustrate comparable financial performance among different firms, as well as to determine a client’s competitive business position within an industry. They provide corporate and industry research, assist in the development of new proposals and client presentations, resolve tax and accounting issues, participate in team discussions, work and travel with bankers at all levels of the firm, and often directly interact with clients, including contact with CFO’s and CEO’s of major companies.

Senior bankers generally place extremely high expectations on their analysts. They do not necessarily expect a new recruit to be an industry expert, but they do expect a high level of attention to detail and a consistently high quality product. This means that much of an analyst’s job can be consumed by editing and re-reading documents to make sure they are error-free.

Most financial analyst programs at larger firms begin in July or August with a five to six week training session in New York. The training program at a typical smaller firm will generally mirror the training program at a typical larger firm, but in a more condensed time frame, such as one to three weeks. These sessions provide an overview of the fundamentals of accounting and finance, an orientation to the firm, and an introduction to the firm’s investment banking groups. These training programs are sometimes used to evaluate the skills and interests of the analysts. The banks will use this knowledge to place each analyst into a specific group within the investment banking department. Some banks also have “generalist” pools, which means that you would work with a variety of functions and industries. However, these have been declining as the industry has moved toward more industry specialization. Even though most programs allow for analysts to input their group preference into the decision-making process, bankers within the groups will make the final decision. *Some banks even require you to indicate a group preference during your first on-campus interview, so be sure to find this out at the bank’s corporate presentation or their website.* Banks also use training programs to help analysts form friendships with one another. For this reason, many programs provide social activities such as bar and nightclub excursions, scenic tours around Manhattan, and a N.Y. Yankee baseball game.

Even though analysts are generally hired into two-year programs, most banks offer a third year to their best analysts. Working for a third year can be critical because graduate business programs are increasingly admitting only those individuals with three or more years of work experience. After the third year, analysts either return to graduate school, take jobs with private equity firms, hedge funds, or in another industry, or finance altogether. A select few are promoted directly to associate, which is the equivalent of a post-graduate-school position. While this “two-or-three-years-and-you’re-out” policy may seem a bit inhospitable, it is comforting to know that it is easier to get an investment banking job after having already worked in the industry. Investment banking has a very “clubby” culture: it is extremely difficult to receive membership, but once you do, it is extremely difficult to lose it. In fact, because there is so much movement among investment banks, none of the major firms will pay for graduate school.

Required Abilities, Qualities, & Interests

Most recruiters look for the following: strong analytical and qualitative skills; ability to learn, think, and react quickly; keen attention to detail; strong familiarity with MS Office; ability to work well in a team environment; strong interest in finance, accounting, and corporate strategy; ability to read, understand, and use financial statements; and knowledge of industry trends, industry history, and the major industry participants. They want people who have high stamina levels and a hunger for learning, and who are confident, poised, energetic, can work under pressure and multi-task, and are willing to make personal sacrifices. *Above all, analysts need to be self-motivated and have a genuine desire to always perform at their very best.*

The Ways recruiters uncover whether a candidate has these attributes or not include, but are not limited to the following: grades, extracurricular involvement (particularly leadership roles), work experience (does not need to be finance related), general industry knowledge, and personality.

Work Environment and Lifestyle

I have heard the investment banking work environment described as fast-paced, stressful, competitive, cutthroat, and unbearable. I have also heard it described as collegial, cooperative, friendly, and enjoyable. Why the contradictions? The reason is that the work environment and analyst lifestyle can differ substantially from bank to bank, and even from group to group within a bank. There are too many uncontrollable factors involved to make a consistently accurate generalization. Nevertheless, it is almost a guarantee that you would be expected to work anywhere from 80 to 100 hours per week, and even more during crucial periods. Assuming this is true, it is easy to see that you would have to make many lifestyle sacrifices, and your evening and weekend plans would be at the mercy of almost every banker around you know that it is a lifestyle choice and the control of your own life is minimal at best. Nevertheless, it is also almost a guarantee that you would learn a tremendous amount about the business world, take on more responsibility than you would ever imagine, and gain an arsenal of skills that would prove valuable in a variety of different business settings.

It is also no small point to mention that analysts generally earn more money than entry-level positions in other industries. Investment bankers normally earn an annual base salary, plus an end-of-year bonus that is based on their performance and the profitability of their firm. These bonuses often comprise a substantial percentage of their total compensation. The median annual base salary of analysts hired from the Michigan BBA program in 2003 was \$60,000, with a range of \$50,000 to \$60,000. The median total compensation (annual base salary plus bonuses) was \$80,000, with a range of \$60,000 to \$100,000.

I wrote this section to help you make a very important decision in your career. As for myself, I made the decision for several reasons. I thought about the skills that I would learn, the people whom I would meet, and the experiences that I would have, and I weighed them against the leisure time that I would lose, the abuses that I would endure, and the sacrifices that I would make. I considered the phenomenal placement record that top analysts have with graduate schools and with corporate America. I asked myself questions such as, "How many hours per week do I dedicate to my academic and professional interests now?", "Do I have the patience and the motivation to work that hard?", "Am I really interested in the function of investment banking?", and "Do I feel a personality connection with the investment bankers that I have met?". Perhaps most importantly, I perceived investment banking as an *extension* to my academic career, not the *result* of it. I tried not to decide if I wanted an *investment banking career*, rather, only if I wanted to be a *financial analyst for two to three years*.

JOB SEARCH STRATEGY AND ADVICE

This section will provide you with a basic framework and timing for a sensible investment banking job search strategy.

Fall BBA1

The most important goal you should have during the first semester of your junior year is to prepare yourself for obtaining a solid internship. It is not an exaggeration to say that you are almost guaranteed an analyst position if you manage to find an investment banking internship at a reputable bank. However, these internships are exceedingly rare and very difficult to find. In fact, most interested BBA1's do not receive investment banking internships. Instead, many

BBA1's receive consulting, accounting, retail brokerage, and corporate finance internships (many people outside of investment banking use the term "corporate finance" to mean a finance position that is normally in the financial planning or treasury department of a non-bank company). The activities listed below are designed to help prepare you for your search.

- Familiarize yourself with the Business School's resources, including the library, OCD, and especially iMPact. It is also a good idea to register for Forum.
- Get involved in extracurricular activities. Examples include joining an industry organization such as the Finance Club or Investment Association, running for a Student Government position, or rushing a Business School fraternity, such as Alpha Kappa Psi or Delta Sigma Pi. Whatever you do, play an active role either in a leadership position or as a committee member.
- Complete a working copy of a cover letter and a resume. I use the term "working copy" because you should be reviewing and revising these two items during your entire two years. The best resources to use are previous BBA resumes and OCD career counselors.
- Attend as many corporate presentations as possible. Learn whatever you can from the presenters and be sure to arrive early enough to get a company brochure, especially if it is an investment bank. At the end of the presentation, when most other people are eating the free food, introduce yourself to a recruiter. Only keep recruiters for a few minutes, but tell them that you are a BBA junior, ask about the possibility of an internship, what your recruiting plans are, thank them for coming to Michigan, and tell them you look forward to seeing them next year, send your resume in to follow-up with an email thanking them, however always have a copy of your resume available at presentations. You won't get a job offer from any presentation you attend, but you will learn about different companies, you will meet their recruiters, and you will practice your communication and networking skills. Also note that corporate presentations are an opportunity to take yourself out of the running for an interview. Dressing improperly, asking patronizing questions during Q&A, and monopolizing a recruiter's time after the presentation are pretty sure ways to get remembered for the wrong reasons.
- *Start learning as much as possible about the investment banking industry and about the differences among the major investment banks.* Do this by attending *all* informational investment banking presentations, by reading the Wall Street Journal and other business periodicals, by listening to the financial market reports on CNN or the Financial Network, and by reading investment banking books. An excellent overview to investment banking can be found in the following books: *Investment Banking & Brokerage*, by John F. Marshall and M.E. Ellis, *The Business of Investment Banking* by K. Thomas Liaw, The vault.com's *Guide to Investment Banking*, *Guide to Finance Interviews*, *Guide to Top Finance Employers*, and *Practice Guide to Finance Interviews*. If you are interested in learning the intricacies of valuation, read *Valuation: Measuring and Managing the Value of Companies* by McKinsey & Company, Inc. I would also strongly recommend *Barbarians at the Gate* and *Den of Thieves*. These two books involve the major banks, players, and events of the 1980s on Wall Street. Two other decent books are *Liar's Poker* and *The Money Culture* both written by Michael Lewis. These last two books pertain more to sales & trading, but they are very interesting (and short) nonetheless.
- Do as well as you possibly can in your classes. High grade points are crucial for investment banks. As a benchmark for you, the median grade point average for hired analysts from Michigan is approximately a 3.7. As a side point, if you are fortunate enough to receive a grade point that is higher than 4.0, list it on your resume as a 4.0 anyway. Too many people in the past have listed their grade point as 4.1 or 4.2 (which makes little sense if Michigan is really on a 4.0 scale), and now many recruiters think that our school inflates grade points. If you choose to post your GPA as greater than 4.0, be ready to give an explanation as to how you managed

to achieve it. Make sure you present it in a humble, clear fashion.

- In the fall, look on iMPact to find the companies that are coming to interview for internships. Plan on sending these companies “Closed List Request” letters at least six weeks before their interview date, which means you may be sending cover letters during November for companies interviewing during the first week of January.
- Practice your interviewing skills. Do this through OCD Mock Interviews or by practicing in front of a video camera at home during Winter Break. A good rule is to be prepared to elaborate on every bullet point you have on your resume for at least one to three minutes. Another good method of practice is to speak on the following question for at least three minutes: “So, tell me about yourself.” Know what you want the recruiter to learn about you, and then do whatever you can to get those points across, even if you have to exert some control over the interview.

Attend OCD Workshops including the resume, cover letter, and networking workshops, and “What is Investment-Banking Workshops?”

I would not spend time sending resumes and cover letters to companies until November. I was on the phone to investment banking alumni and recruiters from every single bulge-bracket bank before November of my junior year. I actually got a few people to listen to me for more than a few minutes, but my lack of investment banking knowledge quickly became apparent and they immediately lost interest.

Winter BBA1

The two most important goals you should have during this semester are to find the best internship you can and to do well in your classes. By November, you should have a well-written resume and cover letter, you should know exactly which companies are coming to campus, you should have completed a time table for yourself so that you know when you need to have sent your “Closed List Request” letters, you should be ready to interview, and you should be familiar with each industry that you anticipate interviewing with. I also suggest making a list that ranks your tops choices and how much you would be willing to bid in case you don’t make the closed lists. Keep in mind that banks typically go for a high value.

- The most important investment banking classes to take before you graduate are Finance 314, Finance 317, Accounting 312, and Accounting 318. You absolutely must take Finance 314 and Accounting 318 before the winter semester of your senior year. Having been on both sides of the interview table (during the 1997 recruiting season, I returned to Michigan and interviewed students for analyst positions), I believe that these two classes will be the most helpful in your investment banking interviews. Reserve the rest of your schedule for classes you are interested in and that you would enjoy.
- Begin to contact investment banking BBA and MBA alumni, as well as current BBA2’s and MBA2’s with investment banking experience. Introduce yourself, ask questions about their respective job searches and experiences, ask questions about the recruiting process, inquire about internship possibilities, and so on. Even though most people will be more than receptive, please keep in mind that these people are very busy, so respect their time. The best time to call is Monday through Thursday between 3:00 and 7:00 p.m.
- Buy a large, three-ring binder and begin collecting job search resources, such as sample resumes and cover letters, corporate and alumni contact names and phone numbers, old cover and thank you letters you have sent out, extra copies of your resume and transcript, etc.
- Send all your “Closed List Request” letters on time. Recruiters get so many resumes it is

easier to do a resume drop or just send it. These closed lists are important because they save you valuable bidding points. However, don't be discouraged if you don't get on the closed list. Often times, the interviewer has no idea who is part of the closed list and who bid their points to get the interview. For example, one BBA1 did not receive a closed list invitation from his top choice investment bank. He bid and secured a spot on the interview schedule, extensively researched the firm (including reading a book about its history), which came through well at the interviews. In the end, he ended up with offers from two different industry groups at the firm and was extended a full-time offer after the summer. So do not fret, it can be done.

- If you don't get on the closed list, remember to bid your points. If you still don't get the interview, you may wish to consider visiting the recruiter either before the first interview in the morning or after the last interview in the evening. Tell the recruiter your story and try to sell yourself. Recruiters come to Michigan to find talented students; if they like you, they won't care whether or not you were originally on the interview schedule.
- The following advice pertains to non investment bank internship interviewing: always sound interested in working for the company in a full-time position; never belittle your work experience; don't mention that you are interested in investment banking; if they ask you what other companies you are considering, mention only those firms that are in the same industry as the company you are interviewing with at that moment.
- After the interview, you may wish to send a thank you letter. Although I generally sent them, I believe that by the time the recruiter leaves the business school, the decision has probably already been made for who will be invited for second-round interviews. I believe thank-you letters are much more important after second-round interviews. *You should plan to send one to every single person that you are introduced to during your office visit.*
- If you are fortunate enough to receive multiple internship offers, find out exactly what you would be doing at each of the companies, and then compare it to the job requirements of an analyst. Whatever you do, be prepared to give an explanation during your future analyst interviews as to why you came to your eventual decision.

Summer

The best thing to do during the summer is to work as hard as you can and learn as much as possible in your internship or whatever else you are doing. If you are working, always try to pressure your employer to give you more responsibility, especially work that would be relevant to an analyst experience. Your #1 goal of the summer should be to get an offer. Even if you hate your employer or the industry, an offer is key to a successful full-time search. Knowing that Company X is willing to employ you often leads to full-time recruiters trying to sell you on their firm versus you trying to sell them on you.

If you weren't able to find an internship, be sure to do something. Study abroad, work part-time, start your own business, take classes, volunteer somewhere, just make sure that you have something constructive that you can discuss during your analyst interviews. Apart from this advice, here are other activities that might be helpful.

- Now would be a good time to concentrate on a few investment banking books. Refer back to the BBA1 section for details on how to find this information.
- You may wish to continue your contact with Michigan alumni working in investment banking. You could also take a trip to New York or Chicago and familiarize yourself, especially if you have never been to these cities before.

- Be sure to revise your resume and cover letter as necessary to include your internship experience. Even though you will probably need to complete your iMPact resume early on in the summer for the resume deadline, don't hesitate to keep making changes to it.

Fall BBA2

Your most important goals during this semester are to get yourself prepared for your investment banking interviews, to get on as many closed lists as possible, and to do as well as you can in your classes. This preparation is extremely important early in the recruiting process.

- Be sure to send your "Closed List Request" letters early enough, four to six weeks before the interview.
- You should interview with other firms in other industries. Not everyone reading this will receive an analyst offer, so don't completely ignore other opportunities. Also, be cautious about any company that puts pressure on you to accept its offer too early. I decided to turn down an offer from an investment bank during the fall because I was committed to taking my chances during the winter semester, which turned out to be a very good decision for me.
- Attend all of the investment banking corporate presentations. Arrive early, take a company brochure, bring your recruiting binder I mentioned earlier, and most importantly, *take detailed notes during the presentation*. At almost every presentation, the recruiter will provide you with answers to questions such as, "What does our firm do?", "What different industry and functional groups do we have?", "Do you have to let us know which group you are interested in during the first interview?", "What separates us from other banks?". The answers to these questions are important because you will most likely hear these questions in your interview.
- Start getting yourself prepared for the type of interview questions that you will hear. I won't tell you all the questions that I got during my interviews, and I won't tell you any of my answers, but the end of this paper provides a small sample of questions so that you know what to expect.

Fall BBA2 – More Details

During this semester, you will hopefully interview with as many investment banks as possible. All the banks tend to come for first round interviews during the first two weeks, which means you may have more than ten interviews in a single week. Moreover, most banks have their second round interviews *the following day*. Needless to say, it is very difficult to juggle your time with existing interviews, plus second round interview times that are practically nonnegotiable, plus a full class schedule.

- As in any interview, your appearance is very important, so invest in a few good suits. For men, the safest suit is a conservative, single-breasted navy blue (or perhaps gray). Avoid pinstripes, suspenders, pocket squares, and double-breasted suits. A white, starched shirt with an open collar (as opposed to a button-down) is preferred. For women, again, your safest suit is a conservative, navy blue (or perhaps gray). Opt for skirts as opposed to pants, wear conservative pumps, and have on little or no jewelry. For both genders, avoid looking "flashy" at all costs. Absolutely make sure that your suit is completely clean and unwrinkled, your shoes are polished, and your hair is well-groomed.
- Be prepared with two good questions that you can ask at the conclusion of the interview. Make sure that your questions are designed to trigger more than a "yes or no" answer. Don't try to fool the interviewers; they will probably know if you don't really care about the question you're asking, so don't get too deep into a question that is obviously designed to impress them.
- Maintain your endurance throughout this entire process. Never look tired or say that you are

tired. Always look them straight in the eye with confidence. Speak as calmly and as eloquently as you can. Be humble, proud, and friendly. It is not devastating if you don't know everything about the industry, just get the basics down. Investment banking recruiters come to Michigan to find confident people with strong work ethics, but who aren't arrogant and flashy.

- Often times, they will ask you difficult or even impossible questions to try to make you nervous or flustered. If this happens, try to stay composed, tell them simply that you have never encountered that material, but then go ahead and walk them through how you would think about solving it out loud. Sometimes it is your logical/analytical skills they are testing. They might want to see how you approach unfamiliar situations. Whatever you do, don't act embarrassed, or act like you know the answer and then just B.S. it. Also, don't try to outsmart your interviewer with your knowledge of investment banking or of an industry.
- *Above and beyond all, it is your task to convince them that you are capable.* Don't forget that your interviewer is probably the person that you will end up working with. No one wants to work with someone who can't get things done. Convince them that you will be an asset, that you will go the extra mile, that you won't be a complainer, and that you will stick to a job until it is finished. They know that you probably have the skills, but they don't know how dedicated you are and how much energy you are willing to exert.
- Don't be afraid to take some control over the interview. Have some strengths of yours in mind and make sure that you discuss them. Don't spend the entire time discussing a work experience that is boring or isn't relevant to an analyst experience. If they ask for a weakness, tell them something that is a real weakness, but one non-fundamental to performing the analyst job, and then quickly follow up with what you are doing to improve it. With failure questions, approach them the same way: a real failure (non-fundamental to the job) followed by how you bounced back from it.
- You will often be answering the same questions over and over again in your interviews. Avoid responding with a monotonous answer; use variation in your voice, use strategic pauses, and remember to slow down (an interviewer once asked me, "Do you normally talk so fast?").
- Go through your Accounting 318 and Finance 314 books before each interview. Be prepared to walk your way through each of the different valuation methodologies. Be prepared to walk your way through a Finance 314 case that you completed. If you haven't taken these courses, studying the DCF from Finance 300 is also a good idea. Vault Career Guide to Finance Interviews is key with interview help and questions. Review this before each interview.
- If you are fortunate, you will make it to a third round, often called a "Super Saturday". The only problem is that some banks will schedule their Super Saturdays on the same day. If you are unfortunate enough to have this happen, as tactically as possible, tell the second company that you already have committed for that day. They will either reschedule you for another Saturday, or they will ask you to make a decision between the two firms. If they force you to make a decision, call the first bank back and try to reschedule your date with them. If this doesn't work, try to get one of the banks to let you come in on a Thursday or any other day. If all of this fails, and you actually have to make a decision between the two companies, make sure that you let the one that you chose know about the sacrifice that you have made for it. Lately, banks have cut back spending and most will give offers after 2nd rounds on campus. However, be prepared for long interview days because some banks still prefer to interview at particular offices.
- Always try to remember your interviewers' names, and try to use their names as you walk out of the interviewing room. Try to get their business card as well, since this can help refresh your

memory. Also, they will probably take you out to lunch, so make sure you know the name of the restaurant and the names of *all* the people you ate with. This may seem silly, but you will feel quite foolish if you draw a blank when someone asks you who you have interviewed with so far and where and with whom you ate lunch.

- If they ask you who else you are interviewing with, don't tell them every single bank you are considering. Only mention the banks that are similar to the one that you are interviewing with at the moment. For example, if you are interviewing with a Chicago bank, try not to mention all the New York firms you are considering. If you are interviewing with a small boutique, don't mention a bunch of bulge-bracket banks. No one wants to make an offer to someone whom they don't think would realistically accept. I'm not encouraging you to lie, in fact, absolutely *do not* lie, but just don't lay all your cards on the table.
- Try to be as personable as possible. Don't hesitate to discuss sports or the weather or any other casual subject. A major question your interviewer will be trying to answer is whether or not they would want to be around you for 80 hours each week.

POST-OFFER CONSIDERATIONS

This section is for those of you who have received an investment banking offer. You may be encouraged at this point to stop interviewing, but I would advise you to continue because you never know what's out there.

- From now on, whenever anyone asks whom else you are interviewing with, be sure to mention that you have an offer. Often times, the interview will turn into a "sell" interview where they will try to convince you of working for their bank. Don't underestimate the power of having an offer, and don't hesitate to use that power to leverage your way into a bank that you really would like to work for. I'm not quite sure why having an offer is so important, but I think that some recruiters would just like to "steal" you from their competitors, while others feel that if you have received an offer from one bank, you must be something worthwhile.
- When someone asks why you haven't accepted another bank's offer yet, or why you are still interviewing, you can now respond, "Because I would like to work for [insert their bank name]." This is obviously a very powerful statement, so don't use it unless you really mean it. Also, be prepared for them to respond, "Well, if I made you an offer right now, would you accept?"
- You will probably get a "Sell Day" from any bank that makes you an offer. They will fly you back to their office and will try to "wine and dine you" into accepting their offer. They will compliment you and tell you great things about their bank. Everyone will be very nice to you, and everything will seem just wonderful. Try not to be too flattered by this process. I'm not saying that *everyone* you meet won't be a genuinely nice person, but remember that *anyone* can be nice for a few hours, and *anyone* can take you out to a fancy restaurant at the bank's expense. Remember that as an analyst, this will not happen often.
- If you don't get a sell day, and you are deciding between two or more banks, don't hesitate to ask to return to New York for one more visit. Either on your "Sell Day" or during this last visit to the office, make sure to ask any questions that you didn't ask during your interviews. Try to get them to tell you exactly what you would be doing, what skills you would develop, why they made you this offer, what you would dislike about your job, names and phone numbers of former analysts, how much client interaction you would receive, and so on.
- When I made my decision, I considered the following: the people, the product group, the level

of responsibility that I would receive, the industry prestige of the bank, the placement record it had with graduate schools and corporate America, and the size of the firm and group.

CONCLUDING REMARKS

It is my sincere hope that this paper helps you find an investment banking financial analyst position. However, it is not my goal to encourage everyone in the BBA program to pursue the industry. Read through this and other writings very carefully, talk to investment banking alumni, and talk to current and former analysts as you make your decision.

The day before I began my first day of work as an analyst, a friend who had just finished her two-year analyst program at a major investment bank said something very interesting to me. In the three years that I have followed the industry and in the one year that I have worked as an analyst, I have never heard a better summation of the financial analyst experience. She paid this mixed compliment to the industry, *“It was the best experience of my life ... If I thought that I had the will and the energy to do it again, I would.”*

Again, I hope that this paper was helpful, and I wish you the best of luck on your quest.

TABLE 1

Sample Investment Banking Interview Questions

General	Technical / Unusual
What is investment banking? Why did you choose Michigan? Why are you interviewing with our firm? Which function / industry group do you prefer? Tell me about yourself. What are your strengths and weaknesses? What benefits can you bring to us? Where do you want to be in five years? What do you do for fun? Why do you want to work in New York City? Why should we hire you?	How do you value a company? Tell me how to find a WACC and the CAPM. What's happening in the market? What did the Dow close at yesterday? Compare commercial banking to i-banking. If you were to raise money for a firm, how would you decide between debt or equity? Are you smart or do you just work hard? Why is your G.P.A. under a 3.7? How many barbershops are in the U.S.? Are you ready for investment banking? What ways besides DCF do you know how to value a company? Walk me through the financial statements.

Refer to Career Center's guide to interviewing for more sample questions.